Admiral Group plc announces full year results with growth in Group profit and customers for the year ended 31 December 2020

04 Mar 2021

4 March 2021

2020 Results Highlights

	2020	2019	% change
Group's share of profit before tax* 1	£638.4 million	£526.1 million	+21%
Group statutory profit before tax (continuing operations)	£608.2 million	£505.1 million	+20%
Earnings per share	179.5 pence	148.3 pence	+21%
Full year dividend per share	156.5 pence	140.0 pence	+12%
Return on equity*1	52%	52%	-%
Group turnover*1	£3.55 billion	£3.46 billion	+2%
Group net revenue (continuing operations)	£1.31 billion	£1.21 billion	+8%
Group customers*1	7.66 million	6.98 million	+10%
UK insurance customers*1	5.98 million	5.48 million	+9%
International car insurance customers*1	1.60 million	1.42 million	+13%
Solvency ratio (post dividend)*2	187%	190%	-2%

**1 Alternative Performance Measures - refer to the end of the report for definition and explanation*
**2 Unaudited. Refer to capital structure and financial position section later in the report for further information*

Around 10,000 staff each receive free shares worth up to £3,600 under the employee share scheme based on the full year 2020 results.

Comment from Milena Mondini de Focatiis, Group Chief Executive Officer:

"2020 was certainly not an ordinary year, but one that I like to think of as a 'litmus test' for the business – where, despite the turbulent context, we demonstrated strong operational resilience and agility, we delivered a positive set of financial results, we stayed true to our values and we did what we believed was right for all our stakeholders.

"Our existing customers chose to stay with us more than ever before, and we increased the share of those switching from other insurers to Admiral, resulting in over 650,000 new customers in 2020.

"The year saw profit before tax exceeding £600 million, driven by strong reserve releases and a decrease in claims frequency as people drove less during lockdowns. We gave back to customers through the £110 million "Admiral Stay at Home Refund" in the UK and substantial pricing reductions across our operations, and we also supported key workers and our local communities. Staff remained a priority and we rapidly transitioned to working from home, while also implementing flexible working arrangements and other wellbeing initiatives.

"A huge thank you to our customers and our shareholders for their continued support, to David, on behalf of the Admiral team, for his invaluable contribution to the business and, most importantly, to all our colleagues who demonstrated incredible passion, adaptability and dedication to our business success."

Comment from Annette Court, Group Chair:

"Who knew so much could happen in twelve months! We have faced the challenges of the global pandemic while ensuring at Admiral we focused on doing the right thing, went through a successful CEO transition, and reported another positive set of financial results.

"I'm particularly pleased to mention an improvement of over 5% in customer Net Promoter Scores across our operations and that we were voted 14th best workplace in the world on the annual 25 World's Best Workplaces list.

"I'd like to take the opportunity to thank all our stakeholders for their support, and the Admiral team for maintaining the special Admiral spirit and values which gives us a solid foundation for the year ahead!"

Dividend
The Board has proposed a final dividend of 86.0 pence per share (2019: 77.0 pence per share, including the special dividend which was deferred and subsequently paid alongside the 2020 interim dividend) representing a normal dividend (65% of post-tax profits) of 63.6 pence per share and a special dividend of 22.4 pence per share. The dividend will be paid on 4 June 2021. The ex-dividend date is 6 May 2021 and the record date is 7 May 2021.

Management presentation
Analysts and investors will be able to access the Admiral Group management presentation which commences at 10h30am GMT on Thursday 4 March 2021 by registering on the Admiral website at www.admiralgroup.co.uk. A copy of the presentation slides will also be available on the website.

Chair Statement

Background to the year
What a year this has been! For Admiral the most significant event, apart from the Covid-19 pandemic of course, has been the announcement that David Stevens will be retiring as Group CEO and that Milena Mondini de Focatiis will be succeeding him (as I mentioned in last year's annual report). This took effect from 1 January 2021 after a successful transition period - more on this later.

Most of the year has been dominated by the repercussions of the Covid-19 pandemic. Life changed in unimaginable ways for all of our staff and customers. I am immensely proud of the way that Admiral responded to this situation. Our people's health and well-being were at the centre of our response and we remained true to Admiral's values in ensuring they were protected and allowing them to provide continued support to our customers. Management communicated quickly and clearly, and it was evident to all why Admiral remains one of the Best Companies to work for. Our people rose to the challenge and went above and beyond to support customers and each other through difficult times.

Most importantly we demonstrated that we were doing the right thing not only for staff, but also for customers, suppliers, shareholders and the broader community. A key part of our response was the announcement of the Admiral Stay at Home premium refund. We announced back in April that we would give back £190 million to customers through a £110 million rebate in the UK as well as pricing reductions across operations and supporting the communities in which we operate, which included the launch of a £6 million Covid community support fund. This approach was unique to UK insurers. It was led by management and endorsed by the Board.

Looking back at 2020
Admiral is reporting a strong performance in 2020 in both reported profit and growth. This is once again due to our people. They make the real difference at Admiral. They remain true to our purpose and ensure that we do the right thing in consideration of all of our stakeholders.

The Group has continued to grow with turnover increasing by 2% to £3.55 billion, whilst customer numbers are 10% higher than 2019 at 7.7 million. The Group's share of pre-tax profit increased by 21% to £638.4 million. Covid impacted the results in all markets in which we operate, resulting in reduced accident frequencies and lower loss ratios. We continue to maintain a prudent approach and, as a result, benefited from strong reserve releases from past years. Earnings per share rose by 21% and return on equity was 52%. The Group's solvency ratio remains robust at 187% (190% at the end of 2019).

In the UK the FCA announced a market pricing study for general insurance which will predominantly affect our motor and household products. This is still to be finalised, but we anticipate that it will have a significant impact on the market. We see this as an opportunity to continue to build on Admiral's strengths and desire to do the right thing for customers. As a reminder, approximately 80% of Admiral customers shop around at renewal, so we are encouraged that the majority choose to remain with us; this being an indicator of our good customer experience and competitive pricing.

There have been strong contributions across the Group. Apart from UK Insurance there has been growth in profit and customers from our European insurers and also Confused.com. In the US we continue to strengthen the fundamentals of our insurance business.

The Loans business has been impacted by Covid and we took early action to pause issuing new loans when the pandemic hit and have maintained a cautious approach since. The loans book remains resilient despite economic uncertainty largely as a result of our prime customer base and prudent approach.

Admiral announced the purchase of the Penguin Portals and Preminen comparison businesses by ZPG Comparison Services Holdings UK Limited ("RVU") in December 2020. The Board believes the decision is a positive outcome for all stakeholders and provides an opportunity to combine the strengths of these businesses to allow for continued growth.

Dividend

As a result of the Covid-19 pandemic and regulatory guidance, we suspended the pay-out of the 2019 final special dividend. We were subsequently able to pay this out in addition to our half-year dividend in August with the confidence that we have a strong capital position.

Our dividend policy remains that we pay a normal dividend of 65% of post-tax profit and distribute each year the available surplus over and above what we retain to meet regulatory requirements, the future development of our business and appropriate buffers. The Directors have recommended a final dividend of 86.0 pence per share (2019: 77.0 pence per share) for the year to 31 December 2020 representing a distribution of 89% of our second half earnings.

This will bring the total dividend for the year to 156.5 pence per share, an overall increase of 12%. This represents a pay-out ratio of 87%. The Group has delivered a Total Shareholder Return (TSR) of 335% over the last 10 years.

Group Board in 2020

The Board recognises the need for a strong corporate governance framework and supporting processes across the Group and believes that good governance, with the tone set from the top, is a key factor in delivering sustainable business performance and creating value for all the Group's stakeholders.

We reviewed our Group strategy in 2020 in the light of the Covid pandemic. It remains straightforward and highly focused on building customer-centric, sustainable businesses for the long-term. We strive to keep doing what we're doing and do it better year after year.

In our UK Insurance business, we remain determined to strengthen our core competitive advantages and pursue our culture of innovation and 'test and learn' approach. For example, we are continuing to deploy technology relating to digital and self-service to improve the customer experience and overall efficiencies.

We also continue to take what we do well and what we learn to new markets and new products, both in the UK and abroad. We are agile enough to adapt to evolving business environments and encourage entrepreneurial initiatives to solve challenges and offer the best outcome to our customers, people and investors. One example is the launch of Admiral Pioneer, a team that builds on our traditional test and learn approach to focus on diversification through new business areas.

From a governance perspective, we have applied the principles of the Corporate Governance Code which ensures that we will continue to take on board the views of all of our stakeholders in our discussions and decision making. As you would expect, we already have strong links with our people and in 2020, the Board revisited and enhanced several areas of focus including our culture, engagement, diversity, our impact on the environment and climate change, and how we give back and participate in the communities in which we operate through our Ministry of Giving.

Once again Admiral was recognised as a Great Place to Work in 2020 being 14th best workplace in the world on the annual 25 World's Best Workplaces list. We were awarded the Sunday Times 3 rd best big company to work for in the UK and a lifetime achievement award for the only company to be listed for 20 consecutive years. We were also named the 5th best workplace for women in the UK. I could go on..! Of course, this doesn't happen by accident. We continue to believe that if people like what they do, they do it better. Our people feel involved because they have a voice, they are shareholders in our business, and they genuinely care.

Having our people as shareholders remains a distinctive element of Admiral's incentive schemes. These are designed to ensure that decisions are made by management to support long-term value growth, that the right behaviours are rewarded and that our people's interests are aligned with those of shareholders. Our core belief is that over the long-term, share appreciation depends on delivering great outcomes for our customers. Further details will be provided in the Remuneration Report in the 2020 Annual Report.

During the year, I usually visit our overseas operations as well as being present regularly in South Wales. This year I had the pleasure of visiting our operations in the UK, France, Italy, Spain and the US, but all visits were virtual. All Non-Executive Directors participated in a number of these visits. This allowed us to keep contact with staff during this difficult period and directly hear their views and the challenges they faced. The Admiral culture still shines through.

We reviewed the composition of the Board in 2020 and, as I highlighted in last year's report, we identified the need to appoint someone with a technology background. I am delighted that JP Rangaswami was appointed in April. He brings a wealth of experience and has already made an impact.

The Board and I feel that there is a good balance of experience, skills and knowledge to support and challenge the management team, and that operations are supported by effective governance and control systems.

Our focus areas for the Board remain to:

- Continue to build on the remarkably special Admiral culture and in so doing putting our people, customers and wider impact on the community at the heart of what we do
- Continue the history of growth, profitability and innovation
- Invest in the development and growth of our people – we have focused on the quality and development of our senior management team, added to our talent base by some external hires, and reviewed our succession pipeline
- Ensure excellent governance and the highest standards
- Focus on all aspects of ESG

Our role in Society

Admiral takes its role in society very seriously and has an active approach to Corporate Responsibility (more information in the Sustainability Report on the Admiral website.) We are proud to be Wales' only FTSE 100 headquartered company and employ over 7,000 people in South Wales. Our people play an active part in the communities in which we operate. We carefully consider our impact on the community and environment, including factors such as the green credentials of our buildings, raising funds for multiple charities, and considering the impact of climate change across the business.

This year we reviewed our responsible investment policy with regard to our ESG positioning. The business also verified carbon emissions for our operations by a third party and these were subsequently offset to become carbon neutral. We aim to be an economically strong and responsible business over the long-term, guided by a clear purpose, to make a positive and significant impact not just on our customers and our people but on the economy and society.

David and Milena

I would like to thank David Stevens for the amazing contribution he has made to the Group. As a co-founder (back in 1991), he has contributed enormously to all the elements that make Admiral so special and successful, including underwriting, product innovation, the unique Admiral culture and much more. David has brought a unique combination of great brainpower, integrity, innovation, caring and humility. Suffice to say, it has been a real pleasure to work with him. We are grateful that he will continue to work with Admiral in a part-time advisory capacity focusing on risk selection, financial services and diversification.

In Milena we have a natural successor and a leader for the next generation. She brings a deep appreciation of the special Admiral culture, entrepreneurial spirit, commercial track record and people development skills. After a smooth transition period, the Board is confident that, with a very strong and experienced management team, she will build an even stronger Admiral for the future.

Thank you

On behalf of the Board, I would like to thank everyone at Admiral for their continued hard work, their adaptability and caring behaviour and their contribution to the Group's results in 2020. I would also like to thank our shareholders for their support and confidence. Most of all I would like to thank our customers for placing their business with us.

Annette Court
Group Chair
3 March 2021

Chief Executive Officer's Statement

In my Insurance Review in last year's annual report, I described 2019 as an 'eventful year.'

In hindsight, I would change that headline as it was actually pretty ordinary compared to the twelve months that followed. I had no idea what 2020 would hold!

In early March 2020, the Board announced my appointment as Group CEO Designate. Succeeding David is a huge honour, as is the opportunity to lead the company that Henry and David built together; an incredibly successful business underpinned by a truly unique culture and a fantastic team.

The morning of that announcement, I thought that I had a long transition period ahead of me to ensure a smooth handover as well as the opportunity to visit all of Admiral's subsidiaries around the world in-person.

Again, the reality turned out to be quite different. The following day, one of my investor meetings was cancelled because of Covid. Fast-forward two weeks, and the whole of the UK was in lockdown. And since then, the months that followed have been characterised by one major change after another; both at a societal level and in the way that businesses operate.

We had to very rapidly shift to remote working to ensure that our staff were safe, a focus which remained our primary concern throughout this last year. We successfully set up the majority of our staff to work from home in under a month - a move that we previously thought would take several years. What a great lesson about the power of focus! This allowed us to provide continuity to our customers, despite the logistical and technical challenges.

During the pandemic, the propensity of customers to interact online increased substantially, leading us to accelerate our digital programs across the Group. In 2020, we more than doubled the percentage of digital interactions with our customers in the UK, and we made a lot of new online functionality available to them.

We believe that our international businesses, operating in countries where online is not yet the primary distribution channel, will benefit from this trend in the long run. The same could be true for UK Insurance lines beyond Motor.

The digital acceleration has also accentuated market interest in platforms such as Penguins Portals, our global network of comparison site businesses. Just before the year end, we announced the agreement to sell Penguin Portals to RVU, subject to regulatory approval. It is the first time that we are separating from such a significant part of the Group and from so many great colleagues, who will be missed enormously. We are hugely proud of what they have achieved and how they have transformed – or even created – the markets in which they operate. We believe that this was the right choice for the long-term success of these businesses as they will find additional synergies and opportunities to further fulfil their ambitions with RVU.

As our different geographies entered lockdown, we also saw material changes in the underlying drivers of our business performance, primarily a reduction in motor claims frequency. We were fortunate; our main reliance on Motor Insurance put us in a privileged position, at a time when many other businesses were struggling. Naturally, this led to deep questioning internally: what is our responsibility to our customers who haven't been able to use our product as much as they had hoped? How should Admiral support wider society in a time of great economic uncertainty? And how can Admiral best balance the outcomes for all its different stakeholders?

We stayed true to our values and did what we believed was right.

In this report, you will read plenty of examples of this such as the Admiral Stay at Home Refund, where we returned £110m in premiums to our UK customers, and several changes to our products and policy terms to support key workers. We helped our partners and local communities through the many initiatives that were supported by Admiral's £6m Covid Support Fund, such as distributing iPads to care homes and supplies to children being home schooled.

We achieved all this, while continuing to deliver great financial outcomes for our shareholders and strengthening the foundations of our business.

More than ever, we wanted to ensure that our products deliver good value, are fairly priced and therefore affordable and inclusive for **more people**. We wanted to **help** and provide people with **more** support and peace of mind for the **future**. We wanted to **look after** our customers, our staff, and our business partners when they need it the most. As always, we strive to find new ways to do things **better**, by using data and through our test and learn approach. Every day and in every circumstance, we **strive** for excellence **together** as a team, as it's ingrained in our culture. Or, in summary:

"Help more people to look after their future. Always striving for better, together".

And this is, indeed, our new purpose statement.

Could there be a better moment for the Admiral team to take stock and reassert what we stand for? It is in difficult and pressurised times when you can really test and see the true colours of people. Our culture during the pandemic has not only remained strong but has shone brighter than ever. Personally, in my 14 years at Admiral, I have never been prouder to work for this Group.

What I like about this new statement is that you can read it through different lenses. First, our customers, as we help them to protect, achieve, and afford what is important to them. Second, our staff, as we help our colleagues to achieve their potential, build on their strengths, and improve their future. Third, the larger community, as we not only provide more employment opportunities in a company that is a great place to work, but also as we contribute to address challenges such as diversity and inclusion and climate change.

This alignment of the interests of different stakeholders has always been a distinctive feature of Admiral and a strength of our business model. We develop strong long-lasting relationships with our partners in distribution, reinsurance and claims network, with our customers, who reward us with strong retention rates and service scores, and, more importantly, with our staff, who have an impressive average tenure in the business.

And we manage to do so, not only because we care, but also because we take a long-term perspective in our decision making. An important element that underpins this culture is our reward system, which is based on Admiral shares rather than short-term incentives. Admiral employees are shareholders.

So, what are our long-term objectives? We remain focused on two main strategic priorities to strengthen our competitive position and increase our resilience to potential disruptive changes in mobility and our core market.

First and foremost, to accelerate the evolution of our core businesses toward what we call 'Admiral 2.0'. An organisation that leverages on Admiral's historical strengths but is even more agile. It is digital first and embraces flexible working practices. But above all else, it is a company that continues to put the customer at the forefront and leverages even more on data and advanced analytics to constantly improve the user experience. As mentioned before, 2020 was a strong year in that respect; we doubled the number of machine learning models pushed to production, moved a vast part of the business to scaled agile, transitioned the majority of customer data to the cloud in our biggest businesses, and materially improved our Net Promoter Score (NPS) in every country. But we are also very conscious there is potential to do much more.

Our second strategic priority is to continue our product diversification journey, to find new opportunities where we can deploy our competitive advantage, to develop stronger propositions for our customers and increase our engagement with them, both through the reinforcement of existing products, such as Household Insurance and Loans, and through seeding new ones, both in the UK and internationally. In 2020, we launched Pet Insurance in Italy, Household Insurance in France, and set up a new team of "Admiral Pioneers" to explore new opportunities within the UK.

In addition, one big focus areas in 2021 will be (hopefully) the adaption to a post-Covid 'new normal,' ensuring that we bring the key learnings from the past year with us.

We have made the decision to embrace a hybrid working model and offer much more flexibility to our staff in the future. This reflects our belief that, very simply, "people who like what they do, do it better" (Henry Engelhardt, Admiral's founder and first CEO) and will also allow us to better compete for talent. This year, our staff demonstrated incredible resilience, the ability to adapt and an impressive commitment. Despite all the personal, technical, and logistical challenges, everyone at Admiral worked incredibly hard and delivered fantastic results. I can't thank my colleagues enough.

A special thank you to all the managers at Admiral as well. Overnight all of Admiral's senior management team transformed themselves into Chief Communication Officers to ensure that they were on-hand to support staff, assist customers, and be there for each other. I take so much confidence for the future from the strength, the talent, and the competence of the Admiral team. In the 2021 Great Place to Work survey 90% of respondents said that Admiral is a great place to work. There is no better testament to our culture and to our people!

I've learnt my lesson by now, and I am not going to define the past year as another eventful year because – like all people from Naples – I don't like to challenge fate. Not twice. But, looking back, I like to think of 2020 as the touchstone year for our operational resilience, agility, and, more importantly, our values and culture.

Milena Mondini de Focatiis
Group Chief Executive Officer
3 March 2021

Chief Financial Officer's Review

Well, 2020 will surely live long in the memory. The awful impact of Covid-19 overshadowed some quite momentous events at Admiral, including David's retirement and our announcement at the end of the year of the disposal of most of our Comparison businesses.

As we've set out throughout this report, we've tried hard to respond to the pandemic in a balanced way, looking out for the interests of all our main stakeholders – customers, staff and shareholders. Hopefully we've done a reasonable job.

I'll start my review by giving some insight into the main highlights of our 2020 results.

Group share of pre-tax profit £m	**2020**	**2019**	**Change**
UK Insurance	698	597	+101
International Insurance	9	(1)	+10
Admiral Loans	(14)	(8)	(6)
Comparison	31	18	+13
Share scheme cost	(54)	(53)	(1)
Other	(32)	(27)	(5)
Profit	**638**	**526**	**+112**

It feels like half a lifetime ago, but remember that 2019's UK Insurance result was negatively impacted by a £33 million one-off impact from a change in the Ogden discount rate (resulting in higher claims costs) and so a fairer year-on-year comparison is profit of £638 million compared to around £560 million (+£78 million, +14%). Clearly still a very healthy result, boosted by a significant increase in profit from the UK business.

Whilst claims from previous years continued to develop positively and the motor business grew at a decent rate (+9% in customer numbers), a notably lower accident year loss ratio resulted in the step up in profit. That lower ratio is inevitably due to lower claims volumes resulting from significant reductions in miles driven, especially during the first lockdown but also in the second half. And it comes despite the £100 million+ rebate of premium in May (the only rebate of its kind in the UK) and significant discounts to existing and new customers since (to the best of our knowledge greater discounting than many or all of our competitors).

We expect that the 2021 loss ratio will be higher than 2020, as claims frequency is very likely to return towards more normal levels and the impact of discounted policies written in 2020 feed through into premium earned in 2021.

Our travel insurance business is small relative to the Group and made a very small loss of around £1 million, though of course volumes ended the year massively behind plan. Admiral doesn't sell business interruption insurance and so wasn't impacted by the major losses to that product line.

Other points of interest from the results include:

- An improved current year loss ratio (and resultant higher profit commission) boosted the Household business profit to £15 million (v £8 million). The business also continued to grow quite nicely
- The International Insurance result was also positively impacted by reduced claims frequency and a significantly lower current year loss ratio. Good growth (in Europe) and continued positive moves in previous period claims costs also contributed to the result (a profit of £9 million v a loss of £1 million). All three European insurers were profitable (£14 million in aggregate) and the US loss was lower year-on-year. Combined growth was 13% in customer numbers
- Admiral Financial Services reported a loss of £14 million in line with guidance given with our half year results. Higher provisions for expected credit losses due to Covid-19's impact on the economy were, unsurprisingly, the key reason. Arrears experience throughout 2020 was actually very much in line with prior years and the main impacts of increased unemployment on credit losses are expected to be realised in 2021 after government employment support schemes come to an end
- Confused.com led the way to an excellent result from the Comparison businesses (a profit of £31 million, up by two thirds). Confused's revenue increased by nearly 20%, whilst profit was up more than 40% for the second year in a row

- Other parts of the income statement were largely in line with 2019, though the increased share price and profits led to a slight increase in the share scheme cost and the costs of major projects like the Comparison disposal led to higher group overheads

Comparison disposal
We announced late in 2020 that we had agreed to sell almost all of the Group's comparison businesses under the Penguin Portals banner to RVU, the comparison division of ZPG. As we said at the time, we believe strongly that the combination of Penguin Portals' strengths, notably in insurance comparison across Europe, with RVU's strengths beyond insurance and experience in growth through acquisition, provides a solid foundation for the combined businesses to grow and prosper.

Total consideration is expected to be around £510 million, including the element attributable to MAPFRE (which owns shares in some of the businesses in the Penguin group). Admiral's share of the proceeds, net of transaction costs and the minority interests is expected to be around £450 million (the profit on disposal that would be recognised in the 2021 income statement should be a similar number) which we believe represents a good outcome for shareholders.

We expect completion to occur in the first half of 2021 after which we would confirm our intentions for the use of proceeds.

Capital, dividends and Admiral's internal model
In line with our usual practice of distributing the majority of post-tax profits to shareholders, we have proposed a final dividend of 86 pence per share, nearly 90% of earnings, and an increase of 12% compared to the final 2019 dividend (if you include the part that we deferred and paid later in 2020), broadly in line with the increase in H2 earnings. The solvency ratio remains very strong at 187%.

Readers of the annual report will be aware that for the past few years, Admiral has been developing its own internal model to calculate its capital requirement. This is a complex process and continues to take longer than we initially expected. In late 2020, the Admiral Board has decided to take some time to review the model. This will inevitably lead to a further delay in the likely timing of a formal application to the regulators to use the model, which we no longer expect to happen in 2021. Our teams continue to work extremely hard on this important project and we'll provide further updates later in 2021.

Farewell David, welcome Milena
Finally, from me, it would be remiss to gloss over one particularly significant Admiral moment on the very last day of the year. As my colleagues have commented earlier in the report, Admiral's second Group CEO and founder director (and my boss of five years) stepped down ('retired' is a bit strong as David still works in an advisory role for us).

David, along with Henry and Andrew and the other founding management team, created an amazing company with a culture that remains healthy and core to everything we do today. It's impossible to pay adequate tribute to David's immense contribution to everything Admiral is about, and he'll be sorely missed as CEO.

Stepping very ably into his shoes is Milena, as Admiral's third CEO in our 30-year history. We have full confidence in Milena and I'm already very much enjoying being part of her team.

Here's hoping 2021 is another strong year for Admiral and a much more cheerful one for us all.

Geraint Jones
Chief Financial Officer
3 March 2021

2020 Group Overview

£m	2020	2019	2018

Turnover (£bn) *1*2	**3.55**	**3.46**	**3.28**
Underwriting profit including investment income*1	333.1	238.0	211.2
Profit commission	134.0	114.9	93.2
Net other revenue and expenses (continuing operations)	153.4	164.7	171.5
Operating profit (continuing operations)	**620.5**	**517.6**	**475.9**
Group Statutory profit before tax (continuing operations) *3	**608.2**	**505.1**	**464.6**
Group profit before tax (total) *1	**637.6**	**522.6**	**476.2**
Group's Share of profit before tax *1	**638.4**	**526.1**	**479.3**
UK Insurance	698.1	597.4	555.6
International Insurance	8.8	(0.9)	(1.1)
Loans	(13.8)	(8.4)	(11.8)
Comparison *3	31.0	18.0	8.8
Other	(85.7)	(80.0)	(72.2)
Group's Share of profit before tax *1	**638.4**	**526.1**	**479.3**
Key metrics:			
Group loss ratio*1*2	54.4%	64.9%	67.3%
Group expense ratio*1*2	26.8%	23.7%	22.9%
Group combined ratio*1	81.2%	88.6%	90.2%
Customer numbers (million)	7.66	6.98	6.51
Earnings per share	179.5p	148.3p	137.1p
Dividends	156.5p	140.0p	126.0p
Return on Equity*1	52%	52%	56%
Solvency Ratio	187%	190%	194%

*1 *Alternative Performance Measures – refer to the end of this report for definition and explanation*
*2 *See note 14 for a reconciliation of Turnover and reported loss and expense ratios to the financial statements*
*3 *See notes 13 and 14 for details of discontinued operations and a reconciliation of the Strategic Report to the financial statements*

Key highlights of the Group's results for 2020 are as follows:

- Continued growth in turnover (£3.55 billion, up 2% on 2019) and customer numbers (7.66 million, up 10% on 2019)
- Group's share of pre-tax profits of £638.4 million (2019: £526.1 million) and Group profit before tax of £637.6 million (2019: £522.6 million)
- The main driver of the strong growth in Group profit was a higher UK Insurance result, which benefitted from reduced claims frequency and continued strong prior year reserve releases, and also the non-recurrence of the £33 million negative Ogden discount rate impact in 2019
- UK Insurance turnover and customers increased by 2% and 9% respectively to £2.67 billion and 6.0 million (2019: £2.63 billion and 5.5 million), as the business passed claims frequency benefits to customers by refunding premium and reducing prices
- UK Household saw strong growth in turnover and customer numbers, with an improved result of £15.4 million (2019: £7.5 million profit) as a result of lower theft and escape of water claims in the period
- The European insurance businesses delivered a higher profit of £13.6 million (2019: £8.7 million), and there was a lower loss in the US insurance business (£4.8 million in 2020 v £9.6 million in 2019). The overall international insurance profit was £8.8 million (2019: £0.9 million loss).
- The Comparison businesses recorded aggregate profits (excluding minority interests' share) of £31.0 million (2019: £18.0 million), with the increase mainly driven by a very strong profit from Confused.com of £29.4 million (2019: £20.4 million)

Covid-19 impact
The Covid-19 ('Covid') pandemic impacted all operations during 2020. Early lockdown restrictions led to fewer miles driven resulting in a significant drop in claims frequency for the insurance operations as more people stayed at home. In addition, the comparison businesses saw a strong initial drop in quote volumes which recovered strongly in most markets as lockdown restrictions eased. Less severe restrictions in the US

led to a lower claims' frequency impact.

In response to the economic uncertainty in the first half of the year, Admiral paused sales of both travel insurance and lending products in March to limit any potential losses in these businesses. Admiral cautiously re-entered both markets in the second half of 2020. Admiral Loans has taken a particularly prudent approach through increasing loan provisions due to the likelihood of increased arrears experience due to higher unemployment levels. However, the level of loans defaults has not experienced a significant increase to date.

Admiral has maintained a commitment to supporting customers, staff, emergency workers and local communities during the coronavirus crisis, taking several steps and adapting to each market context. These include:

- Customer initiatives: Admiral supported customers through relaxed payment terms, reduced/waived administration fees, premium rate reductions, and providing additional support for emergency workers. In the UK, Admiral announced a £110 million Stay at Home premium refund for all existing motor insurance customers, which amounted to £25 per vehicle on cover.
- Staff initiatives: The safety of staff has remained of utmost importance, with many employees already working from home before the official government lockdown was in place. Various initiatives were implemented to optimise staff working from home, including providing relevant equipment as well as wellbeing and mental health support initiatives. Staff engagement levels are monitored regularly and remain high.

All employees were paid their full salaries, and aside from a very small number of staff in France, no staff were furloughed, and no support has been sought or received from government schemes.

·Community initiatives: Admiral has supported local communities across our global operations through donations and volunteer activities. In particular, Admiral set up a £6 million fund to support charities and communities, with staff involvement in the allocation of these funds.

Earnings per share
Earnings per share increased by 21% to 179.5 pence (2019: 148.3 pence), in line with the growth in Admiral's share of pre-tax profit.

Dividends
The Group's dividend policy is to pay 65% of post-tax profits as a normal dividend and to pay a further special dividend comprising earnings not required to be held in the Group for solvency capital requirements including management internal risk appetite above the regulatory minimum.

The Board has proposed a final dividend of 86.0 pence per share (approximately £250 million), split as follows:

- 63.6 pence per share normal dividend, based on the dividend policy of distributing 65% of post-tax profits; plus
- A special dividend of 22.4 pence per share

This final dividend is 12% ahead of the 2019 final dividend (77.0 pence per share, including the special dividend which was deferred and subsequently paid alongside the 2020 interim dividend), with a pay-out ratio of 89% for H2 2020.

The total dividend for the 2020 financial year is 156.5 pence per share, reflecting a 12% increase on 2019 and an 87% pay-out ratio.

The payment is due on 4 June 2021, ex-dividend date 6 May 2021 and record date 7 May 2021.

Return on equity
The Group's return on equity was 52% in 2020, in line with 2019. The Group's share of total post-tax profits

grew by 21%, in line with the 21% growth in the group's share of average equity. The significant growth in profits in the second half of 2020 contributed to the increase in the group's share of equity.

Capital structure and financial position

The Group's co-insurance and reinsurance arrangements for the UK Car Insurance business are in place at least until the end of 2021. The Group's net retained share of that business is 22%. Munich Re will underwrite 40% through co-insurance (30%) and reinsurance (10%) arrangements, until at least the end of 2021. Whilst some agreements with the Group's other reinsurance partners have already been concluded, the remaining extensions for business beyond 2021 are expected to be confirmed during the first half of 2021.

Similar longer-term arrangements are in place in the Group's international insurance operations and the UK Household and Van businesses.

The Group continues to manage its capital to ensure that all entities are able to continue as going concerns and that regulated entities comfortably meet regulatory capital requirements. Surplus capital within subsidiaries is paid up to the Group holding company in the form of dividends.

The Group's regulatory capital is based on the Solvency II Standard Formula, with a capital add-on to reflect recognised limitations in the Standard Formula with respect to Admiral's business (predominantly in respect of profit commission arrangements in co- and reinsurance agreements and risks arising from claims including Periodic Payment Order (PPO) claims).

The Group continues to develop its partial internal model to form the basis of future capital requirements. The expected timescale for formal application has been extended beyond 2021 as a result of a recent decision by the Admiral Group Board to review certain aspects of the model. In the interim period before submission, the current capital add-on basis will continue to be used to calculate the regulatory capital requirement.

The estimated and unaudited regulatory Solvency II position for the Group at the date of this report is as follows:

Group capital position (estimated and unaudited)

Group	2020 £bn	2019 £bn
Eligible Own Funds (pre 2020 final dividend)	1.72	1.42
2020 final dividend	(0.25)	(0.22)
Eligible Own Funds (post 2020 final dividend)	1.47	1.20
Solvency II capital requirement*1	0.79	0.63
Surplus over regulatory capital requirement	**0.68**	**0.57**
Solvency ratio (post dividend)*2	**187%**	**190%**

*1 Solvency capital requirement includes updated capital add-on which is subject to regulatory approval.
*2 Solvency ratio calculated on a volatility adjusted basis.

Although slightly lower than the 2019 year-end position, the Group continues to maintain a strong post-dividend solvency ratio at 187% (2019: 190%). Surplus capital over the regulatory capital requirement has increased by over £100 million in the period, primarily as a result of the strong profitability of the most recent underwriting years. The solvency capital requirement has also increased as a result of the improved underwriting profitability, specifically in relation to the profit commission that Admiral earns in relation to co-insurance and reinsurance contracts. Whilst this increase in solvency capital requirement is lower than the increase in Own Funds, it results in a modest overall reduction to the solvency ratio.

The solvency capital requirement includes an updated capital add-on which remains subject to regulatory approval. The solvency ratio based on the previously approved capital add-on, that is calculated at the balance sheet date rather than the date of this report, and will be submitted to the regulator within the Q4 Quantitative Reporting Template (QRT) is as follows:

Regulatory solvency ratio (estimated and unaudited)	2020	2019
Solvency ratio as reported above	187%	190%

Change in valuation date	(5%)	(10%)
Other (including impact of updated, unapproved capital add-on)	24%	(10%)
Solvency ratio (QRT basis)	**206%**	**170%**

The Group's capital includes £200 million ten year dated subordinated bonds. The rate of interest is fixed at 5.5% and the bonds mature in July 2024. The bonds qualify as tier two capital under the Solvency II regulatory regime.

Estimated sensitivities to the current Group solvency ratio are presented in the table below. These sensitivities cover the two most material risk types, insurance risk and market risk, and within these risks cover the most significant elements of the risk profile. Aside from the catastrophe events, estimated sensitivities have not been calibrated to individual return periods.

Solvency ratio sensitivities (estimated and unaudited)

	2020	**2019**
UK Motor – incurred loss ratio +5%	-10%	-23%
UK Motor – 1 in 200 catastrophe event	-1%	-1%
UK Household – 1 in 200 catastrophe event	-2%	-2%
Interest rate – yield curve down 50 bps	-4%	-5%
Credit spreads widen 100 bps	-6%	-8%
Currency – 25% movement in euro and US dollar	-3%	-3%
ASHE – long term inflation assumption up 0.5%	-3%	-3%
Loans – severe peak unemployment scenario	-1%	-4%

The impact of the incurred loss ratio +5% sensitivity is lower than in the prior year. This is linked to the strong underwriting profitability on the recent underwriting years and the resulting profit commission risk that is held in the solvency capital requirement, which reduces in the loss ratio deterioration scenario, dampening the solvency ratio sensitivity.

Taxation

The total tax charge reported in the consolidated income statement is £109.8 million (2019: £94.2 million), equating to 17.2% of pre-tax profit (2019: 18.0%). The reduction in the effective tax charge is the result of higher non-taxable investment income recognised in the year, and lower losses in the US businesses.

The tax rate equates to 17.5% of pre-tax profit on continuing operations (2019: 17.6%).

Investments and cash

Investment strategy

Admiral Group's underlying investment strategy remains the same - the main focus is on capital preservation, with additional priorities including low volatility of returns, high levels of liquidity and appropriate matching of asset/liability duration and currency. All objectives continue to be met. The Group's Investment Committee performs regular reviews of the strategy to ensure it remains appropriate.

Admiral has adopted a responsible investment strategy to reduce Environmental, Social and Governance (ESG) related risks, whilst achieving sustainable long-term returns. Importantly, ESG criteria are considered within investment decision making and ensures all our asset managers are signatories of the UN Principles for Responsible Investment and have strong and credible practices.

Admiral has been challenging and engaging with asset managers to define methodology which will assess our portfolios against the Paris Accord. Admiral has recently become a member of the Institutional Investors Group for Climate Change as a strategy is developed that is consistent with achieving net zero emissions by 2050. In 2021 Admiral will develop short and long term targets to achieve this.

In addition, our strategy has focused on widening the opportunity set of investments to achieve greater returns without material change in market risk capital allocated to investments. Examples included high quality (AAA) asset backed securities, private debt assets and global bond strategies, actively managed on a total return basis. The difficult conditions in early Spring did not lead to material distress or forced selling, and asset returns since then have been strong.

Cash and investments analysis

£m	2020	2019	2018
Fixed income and debt securities	2,101.3	1,957.8	1,568.6
Money market funds and other fair value instruments	1,339.3	1,160.2	1,301.1
Cash deposits	65.4	116.5	100.0
Cash	351.7	281.7	376.8
Total	**3,857.7**	**3,516.2**	**3,346.5**

Investment and interest income in 2020 (net of impairment charges) was £52.9 million, an increase of £17.6 million on 2019 (£35.3 million). Both years have been impacted by adjustments related to investment income on cash held by Admiral relating to the portion of the motor insurance business reinsured under quota share contracts. £12.9 million of income earned in 2019 was recognised in the 2020 income statement as the projection of the result of the 2019 underwriting year improved to a profitable level.

This positive impact was partially offset by higher impairment charges on assets in 2020 compared to the prior year.

The underlying rate of return for the year (excluding accruals related to reinsurance contract funds withheld) on the Group's cash and investments was 1.3% (2019: 1.4%).

The Group continues to generate significant amounts of cash and its capital-efficient business model enables the distribution of the majority of post-tax profits as dividends.

Cash flow

£m	2020	2019	2018
Operating cash flow, before movements in investments	959.8	518.1	488.5
Transfers to financial investments	(176.0)	(188.7)	(248.8)
Operating cash flow	783.8	329.4	239.7
Tax payments	(175.0)	(92.8)	(55.6)
Investing cash flows (capital expenditure)	(43.1)	(33.6)	(23.9)
Financing cash flows	(454.3)	(392.4)	(346.8)
Loans funding through special purpose entity	(46.2)	85.9	220.2
Net contributions from non-controlling interests	2.4	1.6	19.3
Foreign currency translation impact	2.4	6.8	(2.9)
Net cash movement	**70.0**	**(95.1)**	**50.0**
Movement in unrealised gains on investments	40.7	34.6	(26.6)
Movement in accrued interest	54.8	41.5	49.7
Net increase in cash and financial investments	**341.5**	**169.7**	**321.9**

The main items contributing to the operating cash inflow are as follows:

£m	2020	2019	2018
Profit after tax	**527.8**	**428.4**	**390.5**
Change in net insurance liabilities	94.8	50.4	176.6
Net change in trade receivables and liabilities	65.3	27.4	14.9
Change in loans and advances to customers	77.3	(168.7)	(242.9)
Non-cash income statement items	84.8	86.4	63.7
Taxation expense	109.8	94.2	85.7
Operating cash flow, before movements in investments	**959.8**	**518.1**	**488.5**

Net cash and investments have increased by £341.5 million or 10% (2019: £169.7 million, 5%). The main drivers include a decrease in the funding requirements for Admiral Loans business, offset by increased tax payments in 2020 (due to timing) and increased dividend payments.

The Group's results are presented in the following sections as:

- **UK Insurance – including UK Motor (Car and Van), Household, Travel**
- **International Insurance – including L'olivier (France), Admiral Seguros (Spain), ConTe (Italy), Elephant (US)**
- **Admiral Loans**

- **Comparison – including Confused.com (UK), LeLynx (France), Rastreator (Spain), Preminen (emerging markets), Compare.com (US)**
- **Other – including business development costs and other central expenses**

UK Insurance Review

UK Insurance Review – Cristina Nestares, CEO UK Insurance

Admiral's unique culture is one of the fundamental cornerstones to our success over the last 27 years, so it's a topic we talk about a lot internally...and in fact, with anyone else that's happy to listen too.

It's difficult to put a finger on exactly what creates that culture. The open-plan offices? The Ministry of Fun and the ping-pong competitions that bring people together? Those daily chats at the water cooler to cross-pollinate ideas? I'm sure that contributes to it…but I suspect it's a bit more deep-rooted than that, having seen what we've achieved as we've worked from kitchens, front rooms, bedrooms and camper vans over the last 10 months without an egg-roulette contest in sight!

And what makes me very proud is that the strength of our culture has featured extremely prominently during our response to the pandemic, when it arguably faced its biggest test so far.

We worked furiously hard in those weeks from early March through to April to protect our team and set them up to work safely from home. We prioritised those in our claims and service areas to minimise disruption to those that needed to contact us, and waived policy excesses and gave free replacement vehicles to key workers because they had enough on their plate without the additional burden of sorting out broken cars.

We arguably deserved a breather at that point but preferred to go that extra mile by committing to give back to our customers and the community. A highlight of course was the £110m refund to customers, which has gone unmatched by competitors, that was issued during May. We have continued to give back to customers in the form of premium reductions throughout the second half of the year. The result of that is that we're now more price competitive at new business and renewals than we were at the start of the year. We're even making more sales when we're not the cheapest as a result of the customer goodwill we've created. And whilst the investment we've made in improving our digital customer journey will increase the expense ratio in the short term, we have already seen some of the benefits this will yield in the long term related to better service and improved efficiency. The resulting improved online sales journey, coupled with improved competitiveness, means that we've managed to grow the book more during 2020 than we've done for a number of years.

Whilst the premium refund made the headlines, a source of equal pride within Admiral is the difference we've made to individuals in the local community. Whether that's the provision of comfortable shoes for healthcare workers on the Covid-19 wards in Cardiff, or the donation of Ipads to allow elderly care home residents to see their loved ones. Maybe a bit cheaper than the refund, but incredibly valuable, nevertheless.

And what's ahead of us in 2021? Having just experienced a challenging year, full of uncertainties, requiring constant review and immediate response, I'd say….maybe the same again?

Ok, maybe not exactly the same. But working practices will surely never be the same again as we embrace more flexible and smarter methods. We've spent 2020 trying to project the length of lockdowns and the impact on driving habits….and we'll have the same challenge in reverse as we try to predict how quickly the vaccine rollout will happen and how quickly people return to the roads.

There are also the significant legal and regulatory changes that will come into force over the next 12 months, such as the deflationary impacts of the whiplash reforms that are finally coming into effect in May. But much more significantly we'll have the implementation of the remedies arising from the FCA review into pricing practices that will require parity across new business and renewal prices. The reforms could be a game changer for the market, but we are optimistic that it presents an opportunity for more sophisticated underwriters, including Admiral. We've further improved our market-leading pricing capability with investment in a more responsive and advanced cloud-based solution and already understand the needs of customers that regularly shop around at each renewal to ensure that they get a competitive price. This leaves us well placed to rise to the challenges of the new pricing regime, which are made even more difficult by the uncertainties of the post-Covid era.

But rather than finishing on what might happen in 2022, I'd like to end by thanking the team for what did happen in 2020. We've managed to improve so many aspects of our business in the most difficult environment since we launched almost three decades ago, and once again delivered strong profits in both our car and household businesses.

A challenging year, but a great response!

UK Insurance financial performance

£m	2020	2019	2018
Turnover*1	**2,672.0**	**2,635.0**	**2,575.7**
Total premiums written	2,373.3	2,321.7	2,269.8
Net insurance premium revenue	539.7	533.2	523.9
Underwriting profit including investment income*1	**346.5**	**257.4**	**227.7**
Profit commission and other income	351.6	340.0	327.9
Group's share of UK insurance profit before tax *1	**698.1**	**597.4**	**555.6**

**1Alternative Performance Measures – refer to note 14 at the end of this report for definition and explanation*

Split of UK Insurance profit before tax

£m	2020	2019	2018
Motor	683.4	591.5	561.7
Household	15.4	7.5	(3.0)
Travel	(0.7)	(1.6)	(3.1)
Group's share of UK insurance profit	**698.1**	**597.4**	**555.6**

Key performance indicators

	2020	2019	2018
Vehicles insured at year end*1	4.75m	4.37m	4.32m
Households insured at year end*1	1.16m	1.01m	0.87m
Travel policies insured at year end*1	0.07m	0.09m	0.05m
Total UK Insurance customers*1	**5.98m**	**5.47m**	**5.24m**

**1Alternative Performance Measures – refer to the end of the report for definition and explanation.*

Key highlights for the UK insurance business for 2020 include:

- Strong growth in Motor customers in the second half of the year, combined with continued strong growth in Household with Admiral reducing rates to reflect lower claims frequency in 2020 for Motor and slightly reducing rates for Household
- A 16% increase in UK Motor profit to £683.4 million (2019: £591.5 million). When adjusted for the adverse change in the 'one-off' Ogden impacts of £33.3 million (see below), the like-for-like increase in profit is 10%, primarily as a result of lower current year claims frequency combined with continued strong releases on prior underwriting years. Refer to the UK motor section below for further analysis of key metrics such as loss ratio, reserve releases and profit commission.
- Household profit of £15.4 million (2019: £7.5 million profit) as a result of lower theft and escape of water claims frequency in 2020 despite adverse weather in the first half of 2020
- Travel insurance recorded a lower loss of £0.7 million (2019: £1.6 million loss) despite Covid-19, though sales volumes were inevitably significantly lower than expected

UK Motor Insurance financial review

£m	2020	2019	2018
Turnover*1	**2,473.8**	**2,455.3**	**2,423.1**
Total premiums written*1	2,193.0	2,158.5	2,132.1
Net insurance premium revenue	451.4	452.6	452.5

Investment income*2	50.8	30.4	32.2
Net insurance claims	(97.1)	(164.7)	(189.2)
Net insurance expenses	(77.2)	(74.7)	(72.0)
Underwriting profit including investment income*3	**327.9**	**243.6**	**223.5**
Profit commission	124.7	112.2	95.0
Underwriting profit and profit commission	**452.6**	**355.8**	**318.5**
Net other revenue*4	230.8	235.7	243.2
UK Motor Insurance profit before tax	**683.4**	**591.5**	**561.7**

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*
**2 Investment income includes £2.9 million of intra-group interest (2019: £2.8 million; 2017: £0.7 million)*
**3 Underwriting profit excludes contribution from underwritten ancillaries (included in net other revenue)*
**4 Net other revenue includes instalment income and contribution from underwritten ancillaries and is analysed later in the report.*

Key performance indicators

£m	2020	2019	2018
Reported motor loss ratio*1,*2	49.2%	60.7%	63.5%
Reported motor expense ratio*1,*3	19.8%	19.1%	18.4%
Reported motor combined ratio	69.0%	79.8%	81.9%
Written basis motor expense ratio	18.8%	18.5%	17.5%
Reported loss ratio before releases	72.3%	87.6%	88.1%
Claims reserve releases – original net share*1,*4	£104.3m	£121.7m	£111.4m
Claims reserve releases – commuted reinsurance*1,*5	£137.3m	£121.7m	£109.6m
Total claims reserve releases	£241.6m	£243.4m	£221.0m
Other Revenue per vehicle	£61	£66	£67
Vehicles insured at year end	4.75m	4.37m	4.32m

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*
**2 Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts. Reconciliation in note 14b.*
**3 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. Reconciliation in note 14c.*
**4 Original net share shows reserve releases on the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.*
**5 Commuted reinsurance shows releases, net of loss on commutation, on the proportion of the account that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported in underwriting profit rather than profit commission.*

UK Motor profit increased by 16% during 2020 to £683.4 million (2019: £591.5 million) with the reported combined ratio improving to 69.0% (2019: 79.8%).

Market prices fell over the period to reflect the decrease in claims frequency due to fewer miles driven as a result of the Covid pandemic and lockdowns. Admiral responded to the lower claims frequency with a 'Stay at Home' premium refund to customers, as well as more significant price reductions than the market. New business growth and good retention contributed to a 9% increase in customer numbers (4.75 million v 4.37 million), whilst turnover growth was more muted (£2.47 billion v £2.46 billion) as a result of the refund and price reductions.

The results were impacted by a number of factors:

·Net insurance premium revenue was broadly consistent with 2019 at £451.4 million (2019: £452.6 million) after including the impact of the premium refund of £21.1 million (net of IPT and co-insurance and reinsurance).

- The current period loss ratio was 72.3% (2019: 87.6%). As highlighted below, there are a number of offsetting movements that net to the overall improvement of 15.3 percentage points:

Reported Motor Loss Ratio	Current Period Loss Ratio	Releases on Original Net Share	Reported Loss Ratio
2019	**87.6%**	**-26.9%**	**60.7%**
Prior period impact of Ogden change (0% to -0.25%)	-1.0%	-2.4%	-3.4%
2019 (excluding Ogden impact)	**86.6%**	**-29.3%**	**57.3%**
Change in current period loss ratio	-14.3%	—	-14.3%
Change in claims reserve releases – original net share	—	+6.2%	+6.2%
2020	**72.3%**	**-23.1%**	**49.2%**

·In 2019, the Ogden discount rate changed to minus 0.25% (a reduction from the best estimate assumption of 0% at 31 December 2018), reducing the 2019 UK Motor profit by £33.3 million, and increasing the reported combined ratio by 3 percentage points.

- Excluding the impact of the Ogden rate change in the prior period, the 2020 reported loss ratio was just over 8 percentage points lower than 2019 (49% v 57%). The significant driver of this improvement was the current accident period loss ratio which was 14 percentage points better than 2019 as a result of Covid-19 lockdowns through 2020 and the associated reductions in claims frequency.
- Reserve releases on Admiral's original net share of business were strong, improving the reported loss ratio by just over 23 percentage points in 2020. However, this was 6 percentage points lower than 2019 which had seen an unusually large reserve release as a result of an increase in the speed of settlements of bodily injury claims following the confirmation of the new Ogden rate.
- The margin held above ultimate outcomes in the financial statement reserves remains both significant and prudent. In relative terms, it is broadly consistent that held at the end of 2019.
- Reserve releases from commuted reinsurance and profit commission were higher in 2020 than in 2019, with a combined total of £262.0 million (2019: £233.9 million), as follows:

£m	Reserve releases – commuted reinsurance	Profit commission	Total
2019	**121.7**	**112.2**	**233.9**
Prior period Impact of Ogden change (0% to -0.25%)	+9.0	+8.9	+17.9
2019 (excluding Ogden impact)	**130.7**	**121.1**	**251.8**
Change in commuted releases	+6.6	—	+6.6
Change in profit commission	—	+3.6	+3.6
2020	**137.3**	**124.7**	**262.0**

- Releases on reserves originally reinsured but since commuted were higher at £137.3 million (v £121.7 million in 2019). Excluding the prior period Ogden impact, the 2020 releases are £6.6m higher than 2019, with an increase in the number of underwriting years that are now reflecting releases on commuted reinsurance reserves.
- The trend is similar for profit commission which improved to £124.7 million (2019: £112.2 million). Underlying profit commission (excluding the prior period Ogden impact) was broadly consistent with 2019, with a lower level of profit commission from 2017 and prior underwriting years being offset by profit commission recognition on the 2018-2020 underwriting years for the first time.
- For further background on both reserve releases from commuted reinsurance and profit commission, see the co- and reinsurance section that follows.
- Investment income was significantly higher than 2019 at £50.8 million (2019: £30.4 million). The increase is primarily the result of changes to investment income on cash held by Admiral relating to the portion of the book reinsured under quota share contracts. £12.9 million of the income that was allocated

to reinsurers in 2019, was subsequently recognised in the 2020 income statement, creating a favourable impact of £25.8 million, as shown in the table below:

£m	Investment Income
2019	**30.4**
Exclude accruals on reinsurance balances	+12.9
2019 (excluding impact of reinsurer accruals)	**43.3**
Change in underlying investment income	+1.8
Change in provision for asset impairments	-7.2
2020 (excluding impact of reinsurer accruals)	**37.9**
Release of accruals on reinsurance balances	+12.9
2020	**50.8**

- Excluding movements on reinsurer accruals, underlying investment income increased by £1.8 million primarily as a result of growth in the investment portfolio, as set out in the review of Investments earlier in this report. Provisions for asset impairments increased by £7.2 million as a result of economic uncertainty.
- The reported expense ratio increased to 19.8% in 2020 (2019: 19.1%) with the written basis ratio also higher (18.8% vs 18.5%). The 'Stay at Home' premium refund and wider price reductions contributed to the increase in both ratios, as well as the investment in the period in both the digital customer journey and Covid- related remote working capability.
- Other revenue (including ancillary products underwritten by Admiral) and instalment income decreased to £230.8 million (2019: £235.7 million) primarily resulting from lower contribution from optional ancillaries. Further detail is set out in the Other revenue and instalment income section below.

Claims and reserves

As noted above, the Covid pandemic and resulting lockdowns led to fewer miles driven, resulting in significantly lower motor claims frequency in 2020.

There was a slight increase in damage claims costs as garage repair networks were under pressure and support was provided during lockdown. In addition, Admiral introduced a number of initiatives during the year to help front-line NHS staff and other critical workers not automatically provided for under the policy.

The reduction in miles driven resulting in reduced claims frequency also resulted in a reduction in large bodily injury claims, although to a lesser extent than smaller bodily injury and damage claims frequency, with an increase in the proportion of accidents involving vulnerable road users such as cyclists and pedestrians.

The first projection of the 2020 accident period loss ratio is notably lower than 2019 at the same point as a result of these factors.

Admiral also continued to experience positive development on the claims costs on previous accident years, resulting in another significant reserve release in the financial statements (£104.3 million on Admiral's original net share of business, vs £121.7 million in 2019).

The Group continues to reserve conservatively, setting claims reserves in the financial statements well above actuarial best estimates to create a margin held to allow for unforeseen adverse development.

The margin held in reserves is prudent and significant and remained at a broadly consistent relative level year-on-year.

UK Car Insurance – co-insurance and reinsurance

Admiral makes significant use of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts. These arrangements include profit commission terms which allow Admiral to retain a significant portion of the profit generated.

Munich Re and its subsidiary entity, Great Lakes will underwrite 40% of the UK motor business until at least the end of 2021. 30% of this total is on a co-insurance basis, with the remaining 10% being under a quota share reinsurance agreement from 2017 onwards.

The Group also has other quota share reinsurance arrangements confirmed to the end of at least 2023, covering 38% of the business written. Admiral expects to confirm the full allocation of these arrangements beyond 2021 in the first half of 2021.

The nature of the co-insurance proportion underwritten by Munich Re (via Great Lakes) is such that 30% of all motor premium and claims for the 2020 year accrue directly to Great Lakes and are not reflected in the Group's financial statements. Similarly, Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering this business.

The quota share reinsurance arrangements result in all motor premiums and claims that are ceded to reinsurers being included in the Group's financial statements, but these figures are adjusted to exclude the reinsurer share, resulting in a net result for the Group.

The Group also purchases excess of loss reinsurance to provide protection against large claims and reviews this cover annually. The level of cover purchased for 2021 is marginally lower than that for 2020 due to continued increases in market prices.

Profit commission

Admiral is potentially able to earn material amounts of profit commission revenue from co- and reinsurance partners, depending on the profitability of the insurance business underwritten by the partner. Revenue is recognised in the income statement in line with the financial statement loss ratios on Admiral's retained underwriting.

Note 5c to the financial statements analyses profit commission income by business, type of contract and by underwriting year.

Commutations of quota share reinsurance

Admiral tends to commute its UK Car Insurance quota share reinsurance contracts 24 months after inception of an underwriting year, assuming there is sufficient confidence in the profitability of the business covered by the reinsurance contract.

After the commutation is executed, movements in financial statement loss ratios result in reserve releases (or strengthening if the loss ratios were to increase) rather than reduced or increased profit commission.

During the first half of 2020, the majority of the 2018 quota share contracts were commuted. At 31 December 2020, quota share reinsurance contracts remained in place for a small portion of 2017 and 2018 and the full 2019 and 2020 underwriting years. No further contracts were commuted in the second half of 2020 (as is usual).

Refer to note 5d(v) of the financial statements for further analysis of reserve releases on commuted quota share reinsurance contracts.

Other Revenue and Instalment Income

UK Motor Insurance Other Revenue – analysis of contribution:

£m	2020	2019	2018
Contribution from additional products & fees	186.8	202.1	206.5
Contribution from additional products underwritten by Admiral*1	15.1	13.9	13.6
Instalment income	100.9	83.9	81.4
Other revenue	**302.8**	**299.9**	**301.5**

Internal costs	(72.0)	(64.2)	(58.3)
Net other revenue	**230.8**	**235.7**	**243.2**
Other revenue per vehicle*2	**£61**	**£66**	**£67**
Other revenue per vehicle net of internal costs	**£50**	**£56**	**£57**

*1 Included in underwriting profit in income statement but re-allocated to Other Revenue for purpose of KPIs.
*2 Other revenue (before internal costs) divided by average active vehicles, rolling 12-month basis.

Admiral generates Other Revenue from a portfolio of insurance products that complement the core car insurance product, and also fees generated over the life of the policy.

The most material contributors to net Other revenue continue to be:

- Profit earned from motor policy upgrade products underwritten by Admiral, including breakdown, car hire and personal injury covers
- Revenue from other insurance products, not underwritten by Admiral
- Fees such as administration and cancellation fees

·Interest charged to customers paying for cover in instalments

Overall contribution (Other revenue net of costs plus instalment income) decreased to £230.8 million (2019: £235.7 million). This included a reduction in administration fees and optional ancillary income, partly reflecting more transactions completing digitally and also reflecting the impact of Covid-19 resulting in lower sales and reduced fees. In addition, lower claims frequency due to Covid-19 led to lower referral fees from credit hire. These decreases were partially offset by increased instalment income primarily arising from more customers choosing to pay by monthly instalment. In addition, there was a positive impact from other revenue generated on the Van insurance book.

Other revenue was equivalent to a decrease to £61 per vehicle (gross of costs; 2019: £66), as a result of the factors mentioned above. Net Other Revenue (after deducting costs) per vehicle was £50 (2019: £56).

UK Household Insurance financial performance

£m	**2020**	**2019**	**2018**
Turnover*1	**193.8**	**171.3**	**146.0**
Total premiums written*1	175.9	154.9	131.1
Net insurance premium revenue	43.2	37.2	31.2
Underwriting profit/(loss)*1*2	**2.5**	**0.7**	**(6.3)**
Profit commission and other income	**12.9**	**6.8**	**3.3**
UK Household insurance profit/(loss)	**15.4**	**7.5**	**(3.0)**

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation
*2 Underwriting profit/(loss) excluding contribution from underwritten ancillaries

Key performance indicators

	2020	**2019**	**2018**
Reported household loss ratio*1	64.8%	69.1%	92.3%
Reported household expense ratio*1	29.4%	28.9%	28.1%
Reported household combined ratio*1	94.2%	98.0%	120.4%
Impact of extreme weather and subsidence*1	5.3%	—	19.1%
Households insured at year end*1	1.16m	1.01m	0.87m

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*

The number of households insured increased by 14% to 1.16 million (2019: 1.01 million). Turnover increased by 13% to £193.8 million (2019: £171.3 million). New business market volumes slowed as lockdown was implemented but recovered as restrictions eased. Retention remained strong. Overall, customers have shifted towards using digital channels more for both shopping and reporting claims.

The market saw a reduction in claims frequency in early lockdown which subsequently recovered, but returned to lower levels during further lockdowns. As more people were staying at home, the claims mix for Admiral shifted towards increased claims for accidental damage and reduced claims for theft. Escape of water claims severity also reduced.

The result was impacted by weather events in the year, costing approximately £5 million, net of recoveries from Flood Re (2019: nil).

A combined ratio of 94% (2019: 98%) resulted in a net underwriting profit of £2.5 million (2019: underwriting profit of £0.7 million), which was supplemented by net other revenue and profit commission of £12.9 million (2019: £6.8 million). The expense ratio was slightly higher due to increased costs in the shift to working from home.

The increase in profit commission and other income in the year is attributable to quota share reinsurance profit commission which has increased primarily due to favourable loss ratio performance in the recent underwriting years. Other income is broadly consistent year on year.

UK Household insurance – reinsurance
The Group's Household business is supported by long-term proportional reinsurance arrangements covering 70% of the risk. In addition, the Group has non-proportional reinsurance to cover the risk of catastrophes stemming from weather events.

UK Insurance Regulatory environment

The UK Insurance business operates predominantly under the regulation of:

- the UK Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA) which regulate the Group's UK registered subsidiaries including EUI Limited (an insurance intermediary) and Admiral Insurance Company Limited (AICL; an insurer); and
- the Financial Services Commission (FSC), which regulates the Group's Gibraltar-based insurance company (Admiral Insurance (Gibraltar) Limited, AIGL), in that territory.

The Group is required to maintain capital at a level prescribed by the lead regulator for Solvency II purposes, the PRA, and maintains a surplus above that required level at all times.

International Insurance review

International Insurance – Costantino Moretti – CEO, International Insurance

In 2020, our European Businesses delivered another profitable year on a combined basis, and Elephant showed good signs of improvement on the fundamentals from which to grow a profitable business.

The year was truly unlike any other – with a focus on overcoming the challenges presented by Covid-19, whilst at the same time transferring frequency benefits through price reductions for our customers. In many countries we offered significant discounts to reflect lower driving patterns, and in the US we offered a first-in-the-market "work from home discount."

In the US, Elephant continued to focus on improving technical results, with customer numbers slightly down. We achieved improvements in the loss ratio, well beyond Covid frequency impacts, thanks to ongoing strengthening of risk selection capabilities.

In Europe, we had strong profit performance while still growing in an austere acquisition environment. Efforts in the expansion into broker channels in Italy and Spain, and the strong direct acquisition performance in France, helped grow our customer base by 15% year on year, bolstered by our strong investment in our brands and digital initiatives. Despite this, turnover grew by less at 11% due to lower average premiums. Loss ratio also performed well, with benefits from Covid frequency trends and positive prior year development.

Indeed, the strong performance of our International Businesses reaffirms our strategy of building sustainable and profitable businesses through efficient scaling, a competitive advantage on loss ratio, and by evolving our capabilities in data, analytics, and digital competencies. Well done to the international team for another strong year!

France – Pascal Gonzalvez – CEO, L'olivier
The years go by, yet they continue look the same: strong performance in the midst of market adversity and managing the impact of the Covid-19 pandemic.

Despite another year when price comparison website quotes (our main acquisition channel) were shrinking, our portfolio increased by 26%, thanks to more loyal customers and more new customers.

Indeed, not only did we manage to keep our customers happy by serving them with a high quality of service without interruption to the business during uncertain economic times, but we also hit a new record for Net Promoter Scores in all departments.

Additionally, we managed to increase the number of new business sales in a market at half mast, thanks to new acquisition initiatives helped by a new TV campaign and growing brand awareness.

We also did a soft launch of our new household insurance product under the brand L'olivier - though at a slower pace than originally planned, because we decided to put most of our energy on the best response to deal with the Covid situation. In early 2021, we're about to accelerate our multi-product journey again.

L'olivier has also started to deploy its strategy in order to meet the new vision defined for 2023: keep growing fast through accelerated investments in digital and data. Our new mantra is all about #3D, Data & Digital to Double. We have set up very high ambitions and we are all eager to make it happen!

Italy – Antonio Bagetta – CEO, ConTe

2020 was unquestionably a year with many challenges and adversities. Despite this, ConTe excelled with an increase of 12% in active customers, double-digit growth in new business sales, and (for the first time) persistency above market average.

In 2020 we made significant steps forward in our ambition to become a great digital, data driven company with a well-recognised brand, offering a variety of products and services. We also began offering customers a multi-product journey.

Our brand awareness is stronger than ever and exceeded 70% during the year. We have also become an Official Partner of the Italian national football team, a sponsorship that will give us a great visibility.

During the lockdown period, we improved our business performance thanks to lower frequencies and to the excellent work done on loss ratio. In that period, we launched several new initiatives to protect customer needs (e.g. 'One Month Free' offer) which continued to embed our strong customer centric approach.

More than ever our people and culture have been a competitive advantage for ConTe. Despite the challenging year, we sped up our business transformation towards using Scaled Agile methodology and we celebrated our highest ever Trust Index of 83% in the Great Place to Work survey.

Spain – Sarah Harris – CEO, Admiral Seguros
2020 was another positive year for Admiral Seguros despite the unexpected challenges presented by Covid. In response to the Pandemic we made a range of operational changes to support our customers, and reinvested part of the frequency benefit from lockdowns via discounts.

Despite low price comparison quote volume, we continued to grow the business, finishing the year with

327,500 policies. This growth was bolstered by improved customer persistency, achieved via several operational improvements on customer experience. We also saw good performance from the newly launched brokers' channel.

Loss ratio was an ongoing priority throughout the year. Our new antifraud system went live over the summer, and we continued to invest in analytical talent in risk selection.

On the expense side, we accelerated our digital self-service offering for customers, particularly around claims-handling.

In 2021 we plan to accelerate multi-channel growth, looking to export our technical expertise into more traditional distribution channels.

In the core business, we are working on ambitious improvements in claims and data management and will continue to introduce new digital capabilities for our customers. Let´s go!

US – Alberto Schiavon – CEO, Elephant
2020 saw our intense focus on loss ratio improvement begin to bear fruit. In the first 9 months of 2020 the US market saw a loss ratio improvement as a result of Covid-19 frequency benefits, with an even greater improvement due to our intense focus on improving the underlying loss ratio.

Lower loss ratios across the market paired with flat (or falling) prices meant increased competition and challenges on new business sales. Early positive signs from a broker distribution test are giving us alternative ways for efficient growth.

As unemployment rates increased, many of our customers struggled to pay us despite Elephant taking several mitigating actions, including a payment moratorium, and having our best ever customer satisfaction scores. The effects of losing many of these customers, paired with high sales competition, meant the book remained flat year over year.

Finally, during 2020 Elephant made great progress towards its digital transformation strategy, and our customers can now fully self-service through our online platforms.

As we have been working remotely for almost a year, I have been blessed to be leading a strong team of highly talented and engaged individuals who are incredibly committed towards Elephant's success, and I look forward to a strong performance in 2021.

International Insurance Review

International Insurance financial performance

£m	2020	2019	2018
Turnover*1	**648.8**	**623.6**	**538.7**
Total premiums written*1	584.0	562.6	484.3
Net insurance premium revenue	204.2	168.6	141.7
Investment income	—	1.5	1.3
Net insurance claims	(139.3)	(137.2)	(104.0)
Net insurance expenses	(78.8)	(53.0)	(55.8)
Underwriting result including investment income*1	**(13.9)**	**(20.1)**	**(16.8)**
Net other revenue	22.7	19.2	15.7
International Insurance result	**8.8**	**(0.9)**	**(1.1)**

Key performance indicators

Reported Loss ratio*2	64.3%	76.8%	76.6%
Expense ratio*2	43.9%	37.6%	39.6%
Combined ratio*3	108.2%	114.4%	116.0%
Combined ratio, net of Other Revenue*4	97.9%	103.7%	105.1%
Vehicles insured at period end	**1.60m**	**1.42m**	**1.22m**

*1 *Alternative Performance Measures – refer to the end of this report for definition and explanation.*

*2 *Loss ratios and expense ratios have been adjusted to remove the impact of reinsurer caps so the underlying performance of the business is transparent.*

*3 *Combined ratio is calculated on Admiral's net share of premiums and excludes Other revenue. It excludes the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be 2020: 107%; 2019: 113%; 2018: 113%.*

*4 *Combined ratio, net of Other Revenue is calculated on Admiral's net share of premiums and includes Other Revenue. Including the impact of reinsurer caps the reported combined ratio, net of Other Revenue would be 2020: 96%; 2019: 102% 2018: 102%.*

Geographical analysis

2020	Spain	Italy	France	US	Total
Vehicles insured at period end (m)	0.33	0.77	0.29	0.21	1.60
Turnover*1 (£m)	83.9	213.0	139.3	212.6	648.8

2019	Spain	Italy	France	US	Total
Vehicles insured at period end (m)	0.29	0.69	0.23	0.21	1.42
Turnover*1 (£m)	78.2	204.2	108.1	233.1	623.6

*1 *Alternative Performance Measures – refer to the end of this report for definition and explanation*

Admiral has four insurance businesses outside the UK: Spain (Admiral Seguros), Italy (ConTe), the US (Elephant Auto) and France (L'olivier Assurance).

The operations continued a trajectory of positive growth in 2020, with customer numbers increasing by 13% to 1.60 million (2019: 1.42 million) and combined turnover rising by 4% to £648.8 million (2019: £623.6 million).

The key features of the International Car insurance results are:

- An aggregate profit of £8.8 million (2019: £0.9 million loss) reflecting an improvement in performance of both the European and US businesses due to lower frequency as a result of Covid and underlying improvements
- Profits in all of the European businesses for the first time
- An improvement in Elephant Auto's result (decreased loss from £9.6 million to £4.8 million year-on-year)
- A lower combined ratio (net of other revenue) of 98% (2019: 104%) reflecting lower current year loss ratios and positive back year development across the businesses, offset to an extent by an increased expense ratio
- Continued investment and improvements in technology, people and the customer experience across all operations

The combined International expense ratio increased to 44% (2019: 37%) as a result of a number of factors including lower average premium and increased costs from transitioning to home working as a result of Covid-19, a higher retained share in the US and changes in reinsurer contracts in Italy.

The European insurance operations in Spain, Italy and France insured 1.39 million vehicles at 31 December 2020 – 15% higher than a year earlier (31 December 2019: 1.21 million). Turnover was up 12% at £436.2 million (2019: £390.5 million). The consolidated result of the businesses was a profit of £13.6 million (2019: £8.7 million) consisting of continued profitability in Italy, which was joined by profitable businesses in France and Spain. The combined ratio net of other revenue (excluding the impact of reinsurer caps) improved to 89%

from 92% due to the improved claims experience. All businesses continued to focus on customer and digital improvements, and retention remained strong.

In the US, Admiral underwrites motor insurance in eight states (Virginia, Maryland, Illinois, Texas, Indiana, Tennessee, Ohio, Georgia) through its Elephant Auto business. Elephant insured 208,400 vehicles at the end of 2020, slightly down year-on-year, and also saw lower turnover of £212.6 million (2019: £233.1 million). Elephant's loss for the period decreased to £4.8 million from £9.6 million in 2019.

The business shifted towards providing policies with a six, rather than twelve month term, based on customer demand, which led to lower written premium compared to the prior period. Elephant continued to focus on improving the loss ratio through enhancements in underwriting. These changes contributed to the improved loss ratio in 2020, together with favourable claims experience due to Covid-19. The combined ratio net of other revenue was 108% (118% in 2019).

In 2020, a non-cash impairment charge of £9.1 million was recognised in the financial statements of the parent company with respect to the carrying value of the parent's investment in Elephant Auto. The impairment charge arises due to a change in the 5 year forecast resulting from a strategic decision to move to 6 month policies, which reduces the valuation due to deferring projected underwriting year profits outside the 5 year forecast period, alongside the impact of Covid-19 on the future forecast performance of the business. The impairment charge is recognised in the Income Statement of the parent company (refer to note 4 of the Parent Company Financial Statements for further details) and has no impact on the Group's consolidated profit for the period or the Group's 2020 regulatory capital position.

International Car Insurance co-insurance and reinsurance

In 2020 Admiral retained 35% (Italy) and 30% (France and Spain) and of the underwriting risk respectively. In the USA, 50% (2019: 33%) of the risk was retained within the Group.

International Car Insurance Regulatory environment

Admiral's European insurance operations are primarily regulated by the Spanish insurance regulator, the Direccion General de Seguros (DGS).

The Group's US insurer, Elephant Insurance Company, is regulated by the Virginia State Corporation Commission's Bureau of Insurance.

Both insurers are required to maintain capital at levels prescribed by the regulator and hold a surplus above these requirements at all times.

Admiral Loans
Scott Cargill – CEO, Admiral Financial Services Limited

After three years of significant and sustained progress 2020 will be remembered as a challenging year for the Admiral Loans business. In January we wrote our 100,000th customer and in Q1 we were writing record volumes and showing signs of higher margins following the launch of our new pricing capability. By mid-March our balances had grown to £515 million and we were also seeing all time low loss outcomes reflecting the continuous improvement in our pricing and risk models.

As the Covid-19 crisis emerged, we took early action on pricing and by mid-March we paused writing new business entirely. We supported over 4000 customers with payment holidays. Despite the crisis we have seen good customer payment performance throughout 2020, with default rates similar to or better than previous periods. In line with the Admiral approach to insurance reserving, we have taken an appropriately conservative approach to our loss provision, with around £26 million being added to impairment this year of which some £15 million is for loans which remain up to date giving us a total coverage ratio of 10.4% and 5.8% on up to date loans as we enter 2021.

As with any young business the balance of focus is often on growth and new customer acquisition. 2020 has encouraged the business to accelerate investment into existing customer management, both in self-service and collection capabilities. As a result, as an end to end loans operation, we undoubtedly finish the year stronger than we entered.

Admiral Loans started cautiously writing new business in July and will return to balance sheet growth again in 2021 with a renewed focus on our mission to provide affordable, flexible and convenient lending solutions to UK customers. Our proposition will remain focused on real rate lending to give customers transparency and certainty in their lending decisions. I'd like to thank the Admiral Loans team for their resilience and focus in 2020, and with them, I look forward to further strengthening the business and prioritising our customers in the coming year.

Loans Financial Review

£m	2020	2019	2018
Total interest income	36.8	30.8	15.0
Interest expense*1	(10.1)	(9.1)	(4.3)
Net interest income	**26.7**	**21.7**	**10.7**
Other fee income *2	2.1	1.9	0.4
Total income	**28.8**	**23.6**	**11.1**
Movement in expected credit loss provision and write-off of Loans	(25.8)	(14.3)	(10.2)
Expenses	(16.8)	(17.7)	(12.7)
Admiral Loans result	**(13.8)**	**(8.4)**	**(11.8)**

**1 Includes £2.9 million intra-group interest expense (2019: £2.8 million; 2018: £0.7 million)*

**2 Includes £0.5 million intra-group income (2019: £nil; 2018: £nil)*

Admiral Loans offers a range of unsecured personal loans and car finance products through comparison channels and also direct to consumers via the Admiral website.

In mid-March 2020, the decision was made to pause the writing of new loans. Management focused on the close monitoring of the existing loan portfolio performance and ensuring collection processes were robust and prepared for the likelihood of increased arrears experience resulting from increased unemployment. Admiral also extended payment deferrals and reduced payment arrangements to some customers according to their needs and in line with regulatory guidance.

From July 2020 Admiral re-started lending with cautious underwriting criteria adjusted to reflect the new economic conditions following Covid-19. Lending volumes have gradually increased throughout the second half of 2020, but remained significantly below pre-Covid levels.

Gross loan balances totalled £401.8 million (2019: £479.1 million), with a £42.0 million (2019: £24.0 million) provision, generating a net loans balance of £359.8 million (2019: £455.1 million). Admiral Loans updated its expected credit loss models with a more cautious set of economic assumptions and management overlays to reflect the latest expectations of performance. This update led to an £18.0 million net additional impairment provision (2019: £13.8 million), with a higher provision to loan balance coverage ratio of 10.4% (2019: 5.0%). The total expected credit loss charge including write-offs was £25.8 million (2019: £14.3 million). For further information, refer to note 7 in the financial statements.

Admiral Loans recorded a pre-tax loss of £13.8 million in 2020 (increased from £8.4 million in 2019). The higher loss predominantly reflects the increased charge for expected credit losses, as a result of higher UK unemployment due to Covid-19.

Interest income in the period grew due to the increased size of the average loan book over the period.

Admiral Loans is currently funded through a combination of internal and external funding. The external portion funds approximately 65% of the current loans balance through the securitisation of certain loans via transfer of the rights to the cash-flows to a special purpose entity ("SPE") which remains under the control of the

Group. The securitisation and subsequent issue of notes does not result in a significant transfer of risk from the Group.

Comparison Review

Elena Betés Novoa – CEO, Comparison Platforms
2020 will be an unforgettable year, sweet & sour, ending on a high note.

The sour part – our platforms were strongly affected by the Covid-19 pandemic around the world. We were able to react quicker than local players in some geographies leveraging on international data points and to develop contingency plans not only to reduce the impact into our results but also to help our partners, teams and society as much as we could. Nonetheless, we were impacted financially.

The effect was stronger on businesses where we are more linked to transactions such as buying a car or house, which was more relevant to Le Lynx and Rastreator, and less in Confused.com that proved highly resilient linked to the ingrained switching behaviour of the UK market.

We decided to discontinue our platforms in Turkey, Tamoniki, and in India, GoSahi – we believe that expanding platforms requires difficult decisions to be made based on KPIs and market learnings at a healthy incubator stage.

The sweet part - the strong ownership and accountability from all our teams, the immediate adaptability to the new reality and even more importantly, the steps made to disrupt our way of working and our operating models has made a crisis a clear opportunity and made us stronger, as a team.

We could be extremely proud after all, we close the year delivering strong revenue growth of 11%, and a positive margin improvement of 85%.

All our platforms are moving in the right strategic and financial direction.

The strong ending was the announcement in December that Admiral Group agreed to sell the majority of its comparison platforms to RVU, the comparison division of ZPG. We look forward to growing and learning from them under a multi-country, and multi-product digital ecosystem.

I will be grateful forever to Admiral Group, for providing us with the most valuable asset, our culture, the capability to dream bigger and the support to find the optimal structure to develop and keep our purpose: Empowering the world to choose better.

Comparison Review Highlights

Comparison financial review

£m	2020	2019	2018
Revenue			
Car insurance comparison	123.8	119.4	110.1
Other	66.2	52.2	40.9
Total revenue	**190.0**	**171.6**	**151.0**
Expenses	(159.8)	(156.9)	(144.4)
Profit before tax	**30.2**	**14.7**	**6.6**
Confused.com profit	29.4	20.4	14.3
International comparison result	0.8	(5.7)	(7.7)
	30.2	**14.7**	**6.6**
Group's share of profit before tax *1			
Confused.com profit	29.4	20.4	14.3
International comparison result	1.6	(2.4)	(5.5)
	31.0	**18.0**	**8.8**

*1 Alternative Performance Measure – refer to the end of this report for definition and explanation

The comparison result includes Admirals' comparison businesses in the UK (Confused.com), Spain (Rastreator), France (LeLynx) and the US (Compare.com). In addition, Preminen, the Group's joint venture holding company for comparison ventures in new markets, includes operations in Mexico (Rastreator.mx).

Admiral Group owns 75% of Rastreator, 58% of Compare.com and 50% of Preminen.

Combined revenue grew by 11% to £190.0 million (2019: £171.6 million) and the businesses made a combined profit (excluding minority interests' shares) of £31.0 million (2019: £18.0 million).

The key features of the Comparison result are:

- In the UK, Confused.com saw market share increases in motor and home insurance comparison leading to significantly increased profit of £29.4 million (2019: £20.4 million)
- The continental European comparison businesses reported an increased profit of £3.6 million (2019: £3.5 million)
- Compare.com in the US reduced its pre-tax loss to £1.3 million (2019: £4.3 million)
- Net expenses for the Preminen operations and Penguin Portals totalled £0.7 million (Admiral Group share), reflecting investment in new businesses and good progress in Rastreator Mexico, which delivered a small profit

Sale of Comparison businesses
Admiral announced in December 2020 that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ("RVU") that RVU will purchase Penguin Portals Group ("Penguin Portals", comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and its 50% share of Preminen Price Comparison Holdings Limited ("Preminen") and the Group's technology operation, Admiral Technologies.

Completion of the transaction is subject to customary regulatory and competition authority approvals and is expected to close in the first half of 2021. Further information on the discontinued operations can be found in note 13 in the financial statements.

Compare.com, the Group's US comparison operation will be retained by Admiral.

Other Group Items
Other Group items financial review

£m	2020	2019*1	2018*1
Share scheme charges	(53.8)	(52.7)	(49.0)
Other interest and investment return	4.9	6.0	2.9
Business development costs	(1.8)	(2.1)	(4.3)
Other central overheads	(22.9)	(20.0)	(10.5)
Finance charges	(12.1)	(11.2)	(11.3)
Other Group items	**(85.7)**	**(80.0)**	**(72.2)**

*1 Re-presented to reflect Admiral Loans being presented separately.

Share scheme charges relate to the Group's two employee share schemes (refer to note 9 to the financial statements). Charges increased by £1.1 million in 2020, to £53.8 million reflecting the higher share price during 2020.

Other interest and investment income decreased to £4.9 million in 2020 (2019: £6.0 million). The higher number in 2019 was driven by increased investment return due to the increased cash holding in the parent company in that year.

Business development costs include costs associated with potential new ventures. During the year Admiral established Admiral Pioneer, a team focusing on new product diversification opportunities in the UK, which incurred development costs of £0.8 million.

Other central overheads of £22.9 million include the £6 million Covid-19 relief fund as announced by the Group in the year, costs of circa £4 million in relation to the sale of the comparison businesses and continued spend on a number of significant group projects including IMAP and IFRS 17.

Finance charges of £12.1 million (2019: £11.2 million) primarily represent interest on the £200 million subordinated notes issued in July 2014, as well as a small charge on the additional Group facilities in place (refer to note 6 to the financial statements).

Covid-19 Risk considerations
Covid-19, which was declared a pandemic by the World Health Organisation on 11 March 2020, has impacted in all jurisdictions in which Admiral Group operates. It has caused, and continues to cause, impacts on individuals, on businesses, and on the real economy. Covid-19 has not introduced any new principal risks into the business, but has instead acted as a driver of existing principal and emerging risks.

The initial impact from the pandemic saw an increase in operational risk as offices shut and working from home capacity rapidly expanded, with related increases in IT, change and security risks. It also impacted premium risk, due to changing driving patterns, and market risk, due to declining markets and increased volatility, amongst other principal risks. Covid-19 has also inherently increased credit risk. During the initial months of the pandemic weekly Board reporting was initiated, with updates on operational impacts, business plan reforecasting, as well as solvency and liquidity monitoring and forecasting. To aid risk oversight, the Group Risk Committee also increased frequency of meetings to fortnightly. With the increase in home-working, more controls were being performed by staff while working from home (e.g., call monitoring). The internal control environment was continuously assessed and monitored throughout, and regular communication issued through local business unit emergency response teams, business unit risk management committees and Boards, and Group committees and Group Board.

As the pandemic has continued, many of these initial impacts have abated, most notably operational risk, as remote-working solutions become more robust and as the business becomes used to a hybrid way of working, with a mix of office- and home-based workers. There could be, however, a potential risk to Admiral's culture if staff do not work regularly in close proximity for an extended period. With the emergence of a second or subsequent waves, local, regional and national lockdowns have been or will be enacted, meaning that there remains increased uncertainty regarding driving patterns, claims experience and market volatility. With the UK expected to see recessionary conditions and increasing unemployment, there could be a deterioration in credit performance at AFSL. Risks continue to be monitored and reported on as per the ERMF.

·Covid-19 has also impacted emerging risks. It led to some delays to emerging legal and regulatory risks, as the focus has been on pandemic response, while emerging social, political and economic risks may be accelerating, driven by changing customer behaviours and expectations, in particular. The impact on the environment and climate change is unknown, given competing drivers.

Principal Risks and Uncertainties
The Group's 2020 Annual Report will contain an analysis of the Principal Risks and Uncertainties identified by the Group's Enterprise Risk Management Framework, along with the impacts of those risks and actions taken to mitigate them.

Disclaimer on forward-looking statements
Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of known and unknown risks and uncertainties that may cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements.

Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Consolidated income statement

For the year ended 31 December 2020

Continuing operations	Note	Year ended 31 December 2020 £m	Year ended Re-presented 31 December 2019 £m
Insurance premium revenue		**2,265.3**	2,198.4
Insurance premium ceded to reinsurers		**(1,513.7)**	(1,489.0)
Net insurance premium revenue	5	**751.6**	709.4
Other revenue	8	**329.4**	324.3
Profit commission	5	**134.0**	114.9
Interest income	7	**36.8**	30.8
Interest expense	7	**(7.2)**	(6.3)
Net interest income from loans		**29.6**	24.5
Investment return – interest income at effective interest rate	6	**33.9**	36.4
Investment return - other	6	**26.8**	(0.7)
Net revenue		**1,305.3**	1,208.8
Insurance claims and claims handling expenses	5	**(1,318.6)**	(1,568.1)
Insurance claims and claims handling expenses recoverable from reinsurers		**1,025.4**	1,208.8
Net insurance claims	5	**(293.2)**	(359.3)
Operating expenses and share scheme charges	9	**(814.6)**	(758.9)
Operating expenses and share scheme charges recoverable from co- and reinsurers	9	**456.6**	441.2
Expected credit losses	6,9	**(33.6)**	(14.2)
Net operating expenses and share scheme charges		**(391.6)**	(331.9)
Total expenses		**(684.8)**	(691.2)
Operating profit		**620.5**	517.6
Finance costs	6	**(14.3)**	(14.5)
Finance costs recoverable from co- and reinsurers	6	**2.0**	2.0
Net finance costs		**(12.3)**	(12.5)
Profit before tax from continuing operations		**608.2**	505.1
Taxation expense	10	**(106.2)**	(89.2)
Profit after tax from continuing operations		**502.0**	415.9
Profit before tax from discontinued operations	13	**29.4**	17.5
Taxation expense	13	**(3.6)**	(5.0)
Profit after tax from discontinued operations		**25.8**	12.5
Profit after tax from continuing and discontinued operations		**527.8**	428.4
Profit after tax attributable to:			
Equity holders of the parent		**528.8**	432.4
Non-controlling interests (NCI)		**(1.0)**	(4.0)
		527.8	428.4
Earnings per share – from continuing operations			
Basic	12	**170.7p**	143.7p
Diluted	12	**170.4p**	143.4p
Earnings per share - from continuing and discontinued operations			
Basic	12	**179.5p**	148.3p
Diluted	12	**179.2p**	148.0p
Dividends declared and paid (total)	12	**425.7**	367.8
Dividends declared and paid (per share)	12	**147.5p**	129.0p

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Profit for the period – from continuing and discontinued operations	**527.8**	428.4
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Movements in fair value reserve	**40.6**	34.6
Deferred tax charge in relation to movement in fair value reserve	**(1.8)**	(1.5)
Exchange differences on translation of foreign operations	**3.5**	(8.9)
Movement in hedging reserve	**(2.4)**	(0.9)
Other comprehensive income for the period, net of income tax	**39.9**	23.3
Total comprehensive income for the period	**567.7**	451.7
Total comprehensive income for the period attributable to:		
Equity holders of the parent	**568.6**	456.1

Non-controlling interests	**(0.9)**	(4.4)
	567.7	451.7

Consolidated statement of financial position
As at 31 December 2020

	Note	As at 31 December 2020 £m	31 December 2019 £m
ASSETS			
Property and equipment	11	**140.4**	154.4
Intangible assets	11	**166.7**	160.3
Corporation tax asset	10	**22.9**	—
Reinsurance assets	5	**2,083.2**	2,071.7
Loans and advances to customers	7	**359.8**	455.1
Insurance and other receivables	6	**1,182.0**	1,227.7
Financial investments	6	**3,506.0**	3,234.5
Cash and cash equivalents	6	**298.2**	281.7
Assets associated with disposal group held for sale	13	**83.0**	—
Total assets		**7,842.2**	7,585.4
EQUITY			
Share capital	12	**0.3**	0.3
Share premium account		**13.1**	13.1
Other reserves	12	**94.9**	55.1
Retained earnings		**1,004.4**	840.9
Total equity attributable to equity holders of the parent		**1,112.7**	909.4
Non-controlling interests		**10.7**	9.2
Total equity		**1,123.4**	918.6
LIABILITIES			
Insurance contract liabilities	5	**4,081.3**	3,975.0
Subordinated and other financial liabilities	6	**488.6**	530.1
Trade and other payables	6, 11	**1,991.2**	1,975.9
Lease liabilities	6	**122.8**	137.1
Deferred income tax	10	**0.9**	0.4
Current tax liabilities	10	**—**	48.3
Liabilities associated with disposal group held for sale	13	**34.0**	—
Total liabilities		**6,718.8**	6,666.8
Total equity and total liabilities		**7,842.2**	7,585.4

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 3 March 2021 and were signed on its behalf by:

Geraint Jones
Chief Financial Officer
Admiral Group plc

Consolidated cash flow statement
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £m	31 December 2019 £m
Profit after tax – from continuing and discontinued operations		**527.8**	428.4
Adjustments for non-cash items:			
– Depreciation of property, plant and equipment and right-of-use assets	11	**23.6**	23.8
– Impairment of property, plant and equipment and right-of-use assets	11	**3.1**	—
– Amortisation and impairment of intangible assets	11	**19.2**	18.7
– Movement in expected credit loss provision	6	**25.8**	13.8
– Share scheme charges	9	**54.0**	53.4
– Accrued interest income from loans and advances to customers		**0.2**	(0.6)
– Interest expense on funding for loans and advances to customers		**7.2**	—
– Investment return	6	**(60.7)**	(35.3)
– Finance costs, including unwinding of discounts on lease liabilities		**12.4**	12.6
– Taxation expense	10	**109.8**	94.2
Change in gross insurance contract liabilities	5	**106.3**	238.6

Change in reinsurance assets	5	**(11.5)**	(188.2)
Change in insurance and other receivables	6, 11	**25.1**	(147.0)
Change in gross loans and advances to customers	7	**77.3**	(168.7)
Change in trade and other payables, including tax and social security	11	**40.2**	174.4
Cash flows from operating activities, before movements in investments		**959.8**	518.1
Purchases of financial instruments		**(2,389.2)**	(2,048.2)
Proceeds on disposal/ maturity of financial instruments		**2,203.1**	1,847.9
Interest and investment income received	6	**10.1**	11.6
Cash flows from operating activities, net of movements in investments		**783.8**	329.4
Taxation payments		**(175.0)**	(92.8)
Net cash flow from operating activities		**608.8**	236.6
Cash flows from investing activities:			
Purchases of property, equipment and software	11	**(43.1)**	(33.6)
Net cash used in investing activities		**(43.1)**	(33.6)
Cash flows from financing activities:			
Non-controlling interest capital contribution		**2.4**	1.6
(Repayment of)/proceeds on issue of loan backed securities	6	**(46.3)**	136.2
Proceeds/(repayments) from other financial liabilities	6	**0.1**	(50.3)
Finance costs paid, including interest expense paid on funding for loans	6,7	**(19.2)**	(14.0)
Repayment of lease liabilities	6	**(9.4)**	(10.6)
Equity dividends paid	12	**(425.7)**	(367.8)
Net cash used in financing activities		**(498.1)**	(304.9)
Net increase / (decrease) in cash and cash equivalents		**67.6**	(101.9)
Cash and cash equivalents at 1 January		**281.7**	376.8
Effects of changes in foreign exchange rates		**2.4**	6.8
Cash and cash equivalents at end of period	6	**351.7**	281.7

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Attributable to the owners of the Company							
	Share capital £m	Share premium account £m	Fair value reserve £m	Hedging reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	**Total £m**	Non-controlling interests £m
At 1 January 2019	0.3	13.1	13.5	(0.3)	18.2	713.5	**758.3**	12.8
Profit/(loss) for the period – from continuing and discontinued operations	—	—	—	—	—	432.4	**432.4**	(4.0)
Other comprehensive income								
Movements in fair value reserve	—	—	34.6	—	—	—	**34.6**	—
Deferred tax charge in relation to movement in fair value reserve	—	—	(1.5)	—	—	—	**(1.5)**	—
Movement in hedging reserve	—	—	—	(0.9)			**(0.9)**	—
Currency translation differences	—	—	—	—	(8.5)	—	**(8.5)**	(0.4)
Total comprehensive income for the period	—	—	33.1	(0.9)	(8.5)	432.4	**456.1**	(4.4)
Transactions with equity holders								
Dividends	—	—	—	—	—	(367.8)	**(367.8)**	—
Share scheme credit	—	—	—	—	—	58.8	**58.8**	—
Deferred tax credit on share scheme credit	—	—	—	—	—	3.2	**3.2**	—
Contributions by NCIs	—	—	—	—	—	—	**—**	2.2
Changes in ownership interests without a change in control	—	—	—	—	—	0.8	**0.8**	(1.4)
Total transactions with equity holders	—	—	—	—	—	(305.0)	**(305.0)**	0.8
As at 31 December 2019	**0.3**	**13.1**	**46.6**	**(1.2)**	**9.7**	**840.9**	**909.4**	**9.2**

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2020

	Attributable to the owners of the Company							
	Share capital £m	Share premium account £m	Fair value reserve £m	Hedging reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	**Total £m**	Non-controlling interests £m
As at 31 December 2019	**0.3**	**13.1**	**46.6**	**(1.2)**	**9.7**	**840.9**	**909.4**	**9.2**
Balance at 1 January 2020	**0.3**	**13.1**	**46.6**	**(1.2)**	**9.7**	**840.9**	**909.4**	**9.2**
Profit/(loss) for the period – from continuing and discontinued operations	—	—	—	—	—	528.8	**528.8**	(1.0)
Other comprehensive income								
Movements in fair value reserve	—	—	40.6	—	—	—	**40.6**	—
Deferred tax charge in relation to movement in fair value reserve	—	—	(1.8)	—	—	—	**(1.8)**	—
Movement in hedging reserve	—	—	—	(2.4)			**(2.4)**	—

Currency translation differences	—	—	—	—	3.4	—	**3.4**	0.1
Total comprehensive income for the period	—	—	38.8	(2.4)	3.4	528.8	**568.6**	(0.9)
Transactions with equity holders								
Dividends	—	—	—	—	—	(425.7)	**(425.7)**	—
Share scheme credit	—	—	—	—	—	53.8	**53.8**	—
Deferred tax credit on share scheme credit	—	—	—	—	—	6.6	**6.6**	—
Contributions by NCIs	—	—	—	—	—	—	**—**	2.2
Changes in ownership interests without a change in control	—	—	—	—	—	—	—	0.2
Total transactions with equity holders	—	—	—	—	—	(365.3)	**(365.3)**	2.4
As at 31 December 2020	**0.3**	**13.1**	**85.4**	**(3.6)**	**13.1**	**1,004.4**	**1,112.7**	**10.7**

Notes to the financial statements

For the year ended 31 December 2020

1. General information

Admiral Group plc is a company incorporated in England and Wales. Its registered office is at Tŷ Admiral, David Street, Cardiff, CF10 2EH and its shares are listed on the London Stock Exchange.

The consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

2. Basis of preparation

The consolidated financial statements have been prepared on a Going Concern basis. In making this going concern assessment, the Directors have considered in detail the impact of the Covid-19 pandemic on the Group's financial position and performance, including the projection of the Group's profits, regulatory capital surpluses and sources of liquidity for the next 12 months and beyond.

In particular, as part of this assessment the Board considered updated projections of performance and profitability a number of times during the pandemic, with some key highlights including:

- The impact of the pandemic on the Group's profit projections, including:
  - The continuation of reduced motor insurance claims frequency when compared to pre-pandemic levels
  - Changes in premium rates and projected policy volumes across the Group's insurance businesses
  - Potential impacts on the cost of settling claims across all insurance businesses, including those arising from initiatives launched to help critical worker customers such as excess waivers and free hire cars
  - Projected trends in other revenue generated by the Group's insurance business from fees and the sale of ancillary products
  - The impact of elevated credit losses in the Group's Loans business arising from higher unemployment rates, arising from long-term economic stress
  - Impacts on the projected growth on the Group's Loan book following the temporary closure to new business
  - A potential increase in ongoing costs arising from the implementation and maintenance of business continuity plans and potential future hybrid working strategies.
- The Group's solvency position, which has been closely monitored through periods of market volatility experienced to date. Although impacted by market movements, and in particular widening credit spreads at the outset of the pandemic, these positions have largely reversed, with less volatile market movements experienced during the second half of 2020. The Group continues to maintain a strong solvency position above target levels

- The adequacy of the Group's liquidity position after considering all of the factors noted above
- The results of business plan scenarios and stress tests on the projected profitability, solvency and liquidity positions including the impact of severe downside scenarios that assume severe adverse economic, credit and trading stresses
- The operational resilience of the Group's critical functions, including the ability of the Group to provide continuity of service to its customers through a prolonged period of stress
- The stability and security aspects of the Group's IT systems.
- Impacts on the Group's strategic priorities including re-prioritisation of significant Group projects
- The regulatory environment, in particular focusing on regulatory guidance issued by the FCA and the PRA in the UK and ongoing communications between management and the regulator
- A review of the Company's principal risks and uncertainties and how the assessment of emerging risk may have changed in light of the pandemic
- A review of an ad-hoc Covid-specific 'Own Risk and Solvency Assessment' (ORSA)

Other material factors considered, outside of the pandemic, include:

- The impacts of the UK-EU Brexit trade agreement that came into effect on 1 January 2021, on the Group's UK businesses.
- The sale of the Group price comparison businesses, Penguin Portals and Preminen along with the intention to return a majority of net proceeds back to shareholders after completion of the transaction.

Following consideration of all of the above, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and that it is therefore appropriate to adopt the going concern basis in preparing the consolidated financial statements.

·Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report. Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in the Strategic Report. In addition, notes 6 and 12 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The accounting policies set out in the notes to the financial statements have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

The financial statements are prepared on the historical cost basis, except for the revaluation of financial assets classified as fair value through profit or loss or as fair value through other comprehensive income. The Group and Company financial statements are presented in pounds sterling, rounded to the nearest £0.1 million.

Cash flows from operating activities before movements in investments include all cashflows in relation to the Group's insurance and reinsurance activities, and cash flows in respect of loans and advances issued to customers. Cash flows from financing activities include the cash flows on issues of loan backed securities, lease liabilities and other financial liabilities.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group has securitised certain loans and advances to customers by the transfer of the loans to a special purpose entity ("SPE") controlled by the Group. The securitisation enables a subsequent issuance of debt by the SPE to investors who gain the security of the underlying assets as collateral. The SPE is fully consolidated into the Group financial statements under IFRS 10, as the Group controls the entity in line with the above definition.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is reviewed. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, it is recognised by adjusting the carrying amount of the related asset or liability in the period of the change.

Adoption of new and revised standards
The Group has adopted the following IFRSs and interpretations during the year, which have been issued and endorsed:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2)
- Amendment to IFRS 16 Leases Covid-19 Related Rent Concessions
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

Other than the impact of the Amendments to IFRS 9 and IFRS 7 in respect of interest rate benchmark reform, further detail of which is provided below, the application of these amendments has not had a material impact on the Group's results, financial position and cashflows.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16)

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The Group early adopted this standard for the period ending 31 December 2019.

In addition, Phase 2 of the Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 was issued in August 2020, and relates to issues that could affect financial reporting when an IBOR is replaced with an alternative benchmark interest rate.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

- The Group had floating rate debt on its loan backed securities, linked to GBP LIBOR up until 15th June 2020 when those arrangements were renewed and rebased to SONIA at the same time;
- The floating rate debt and interest rate cashflow hedges that are taken out in relation to the loan backed securities were moved to arrangements linked to SONIA on 15th June 2020, to align the rebasing with the renewal of the loan backed facilities as set out above

The Group has chosen to early apply the Phase 2 Amendments for the reporting period ending 31 December 2020, which are mandatory for annual reporting periods beginning on or after 1 January 2021. Adopting these amendments early enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates without giving rise to accounting impacts, such as the de-recognition of the interest rate hedge that was moved from LIBOR to SONIA in the year, that would not provide useful information to users of financial statements.

See note 6j for further details.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 17 – Insurance contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023, requiring a transition balance sheet at 1 January 2022.

The Group continues to assess the impact of IFRS 17 on its results and financial position.

3. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies as described in the notes to the financial statements, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements
The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

·**Classification of the Group's contracts with reinsurers as reinsurance contracts:**

A contract is required to transfer significant insurance risk in order to be classified as such. Management reviews all terms and conditions of each such insurance and reinsurance contract in order to be able to make this judgement. In particular, all reinsurance contracts (both excess of loss and quota share contracts) held by the Group have been assessed and it has been concluded that all contracts transfer significant insurance risk and have therefore been classified and accounted for as reinsurance contracts within these financial statements.

·**Consolidation of the Group's special purpose entity ("SPE")**

During 2018 the Group set up an SPE in relation to the Admiral Loans business, whereby the Group securitises certain loans by the transfer of the loans to the SPE. The securitisation enables a subsequent issue of debt by the SPE to investors who gain the security of the underlying assets as collateral.

The accounting treatment of the SPE has been assessed and it has been concluded that it should be fully consolidated into the Group's financial statements under IFRS 10. This is due to the fact that despite not having legal ownership, the Group has control of the SPE, being exposed to the returns and having the ability to affect those returns through its power over the SPE.

The SPE has therefore been fully consolidated into the Group's financial statements.

·**Classification of disposal group as held for sale, and presentation of discontinued operations**

In order for a disposal group to be recognised as held for sale under IFRS 5, a sale has to be considered highly probable and the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary.

As set out in note 13 to these financial statements, on 29th December 2020, the Group announced that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ("RVU") that RVU will purchase the Penguin Portals Group ("Penguin Portals", comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and the Group's technology operation Admiral Technologies) and its 50% share of Preminen Price Comparison Holdings Limited ("Preminen") (including its subsidiaries and associates). Management considers that, given the announcement which is supported by a signed Sales and Purchase Agreement (SPA), and the expectation that the sale will be completed in the first half of 2021 subject to regulatory approval, the transaction meets the highly probable criteria and therefore these businesses are presented as a disposal group held for sale in the financial statements.

The disposal group is also considered to meet the criteria of a discontinued operation, being a part of a single co-ordinated plan to dispose of a separate major line of business. The results of the discontinued operation have therefore been presented separately on the Income Statement, with prior year comparatives also re-presented.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

·**Calculation of insurance claims provisions and reinsurance assets**

The Group's reserving policy requires management to set provisions for outstanding claims for the purpose of the financial statements, above the projected best estimate outcome to allow for unforeseen adverse claims development. In the application of this policy, Management applies judgement in:

- calculating the best estimate of the gross ultimate total cost of settling claims that have been incurred prior to the balance sheet date,

- calculating the best estimate of the non-proportional excess of loss reinsurance recoveries relating to outstanding claims, and
- determining where, above the projected best estimate outcomes of gross outstanding claims and reinsurance recoveries, the insurance claims provisions should sit in line with the Group's reserving methodology.

Estimation techniques are used in the calculation of the provisions for claims outstanding, which represent a projection of the ultimate estimated total cost of settling claims that have been incurred prior to the balance sheet date and remain unsettled at the balance sheet date, along with a margin to allow for unforeseen adverse claims development.

The primary areas of estimation uncertainty are as follows:

1) Calculation of gross best estimate claims provisions

The key area where estimation techniques are used is in the ultimate projected cost of reported claims, which includes the emergence of claims that occurred prior to the balance sheet date, but had not been reported at that date.

The Group, utilising internal actuarial teams, projects the best estimate claims reserves using a variety of different recognised actuarial projection techniques (for example incurred and paid chain ladders, and initial expected assumptions) to allow an actuarial assessment of their potential outcome. This includes an allowance for unreported claims. The projection techniques are subject to review by an independent external actuarial specialist to provide an impartial assessment.

Claims are segmented into groups with similar characteristics and which are expected to develop and behave similarly, for example bodily injury (attritional and large) and damage claims, with specific projection methods selected for each head of damage. Key sources of estimation uncertainty arise from both the selection of the projection methods and the assumptions made in setting claims provisions through the review of historical development of underlying case reserve estimates, overlaid with emerging market trends.

Allowance is made for changes arising from the internal and external environment which may cause future claim cost inflation to deviate from that seen in historic data. Examples of these factors include:

- Changes in the reporting patterns of claims impacting the frequency of bodily injury claims;
- Emerging inflationary trends on the average cost of bodily injury and damage claims;
- The likelihood of bodily injury claims settling as Periodic Payment Orders;
- Changes in the regulatory or legal environment that lead to changes in awards for bodily injury claims and associated legal costs;
- Changes to the underlying process and methodologies employed in setting and reviewing case reserve estimates.

Implicit assumptions in the actuarial projections include average cost per claim and average claim numbers by accident year, future rates of claims inflation and loss ratios by accident year and underwriting year. These metrics are reviewed and challenged as part of the process for making allowance for the uncertainties noted.

2) Calculation of excess of loss reinsurance recoveries

The Group uses excess of loss reinsurance in order to mitigate the impact of large claims. The reinsurance is non-proportional and recoveries are made on individual claims above the relevant thresholds.

As for the underlying gross claims, actuarial teams project the best estimate excess of loss reinsurance recoveries using a variety of actuarial projection techniques that focus on both the ultimate frequency of reported recoveries and the average size of the recovery.

Key sources of estimation uncertainty arise from both the selection of the projection methods and the assumptions made in calculating the recoveries through the review of historical development of underlying case reserve estimates, overlaid with emerging market trends.

The most significant element of the estimation relates to large bodily injury claims. The key assumption in the calculation of excess of loss recoveries relates to the numbers of large claims in the Group's core UK Motor insurance business that will attract recoveries, where the high retention means that a small number of additional large claims would potentially result in a material increase in the excess of loss recoveries.

3) Calculation of the margin held for adverse development

A wide range of factors inform management's recommendation in setting the margin held above actuarial best estimates, which is subject to approval from the Group's Reserving and Audit Committees, including:

- Reserve KPIs such as the level of margin as a percentage of the ultimate reserve;
- Results of stress testing of key assumptions underpinning key actuarial assumptions within best estimate reserves;
- A review of a number of individual and aggregated reserve scenarios which may result in future adverse variance to the ultimate best estimate reserve;
- Qualitative assessment of the level of uncertainty and volatility within the reserves and the change in that assessment compared to previous periods.

In addition, for the Group's core UK Car Insurance business, the Group's internal reserve risk distribution is used to determine the approximate confidence level of the recommended booked reserve position which enables comparison of the reserve strength to previous periods and demonstration of the compliance with IFRS 4.

For sensitivities in respect of the claims reserves, refer to note 5d(ii) of the financial statements. Note that these sensitivities are provided based on booked loss ratios, as it is impracticable to disaggregate the assumptions further, but for the disaggregated assumptions it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount.

For further detail on objectives, policies and procedures for managing Insurance Risk, refer to note 5 of the financial statements.

Future changes in claims reserves also impact profit commission income, as the measurement of this income is dependent on the loss ratio booked in the financial statements, and cash receivable is dependent on actuarial projections of ultimate loss ratios.

·**Calculation of expected credit loss provision**

The Group is required to calculate an expected credit loss ('ECL') allowance in respect of the carrying value of the Admiral Loans book in line with the requirements of IFRS 9. Due to the size of the loan book and the increased uncertainty given the impact of Covid-19, the calculation of the ECL is deemed to be a critical accounting judgement and includes key sources of estimation uncertainty. Management applies judgement in:

- Determining the appropriate modelling solution for measuring the ECL;
- Calibrating and selecting appropriate assumptions;
- Setting the criteria for what constitutes a significant increase in credit risk;
- Identification of key scenarios to include and determining the credit loss in these instances.

The key areas of estimation uncertainty are in the calculation of the Probability of Default (PD) in the base scenario for stage 1 and 2 assets, and the determination, impact assessment and weighting of the forward-looking scenarios.

Refer to the analysis in note 7 to the financial statements for further detail on the Group's ECL methodology applied in the period.

4. Group consolidation and operating segments

4a. Accounting policies

(i) Group consolidation

The consolidated financial statements comprise the results and balances of the Company and all entities controlled by the Company, being its subsidiaries and SPE (together referred to as the Group), for the year ended 31 December 2020 and comparative figures for the year ended 31 December 2019. The financial statements of the Company's subsidiaries and its SPE are consolidated in the Group financial statements.

The Company controls 100% of the voting share capital of all its principal subsidiaries, except Admiral Law Limited, Inspop USA LLC, comparenow.com Insurance Agency LLC (indirect holding), Rastreator.com Limited, Rastreator Comparador Correduria De Seguros S.L.U (indirect holding), Preminen Price Comparison Holdings Limited and the indirect holdings in Preminen Dragon Price Comparison Limited, Preminen Mexico Sociedad Anonima de Capital Variable, and Preminen Price Comparison India Private Limited.

The SPE is fully consolidated into the Group financial statements under IFRS 10, whereby the Group has control over the SPE.

The Parent Company financial statements present information about the Company as a separate entity and not about its Group. In accordance with IAS 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions in the consolidated financial statements.

(ii) Foreign currency translation

Items included in the financial records of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling, the Group's presentational currency, rounded to the nearest £0.1 million.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items measured at cost are translated at their historic rate and non-monetary items held at fair value are translated using the foreign exchange rate on the date that the fair value was established.

The financial statements of foreign operations whose functional currency is not pounds sterling are translated into the Group presentation currency (sterling) as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average monthly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction).
- All resulting exchange differences are recognised in other comprehensive income and in a separate component of equity except to the extent that the translation differences are attributable to non-controlling interests.

On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular operation is recognised in the income statement.

4b. Segment reporting

The Group has five reportable segments, as described below. These segments represent the principal split of business that is regularly reported to the Group's Board of Directors, which is considered to be the Group's chief operating decision maker in line with IFRS 8 Operating Segments.

Note that as a result of the planned sale of the comparison businesses (other than compare.com) and growth of the Admiral Loans business, the Group's reportable segments have changed, so that compare.com is now presented within "other" and Admiral Loans is presented as a separate segment. Accordingly, the Group has restated the previously reported segment information for the year ended 31 December 2019.

UK Insurance

The segment consists of the underwriting of car insurance, van insurance, household insurance, travel insurance and other products that supplement these insurance policies within the UK. It also includes the generation of revenue from additional products and fees from underwriting insurance in the UK. The Directors consider the results of these activities to be reportable as one segment as the activities carried out in generating the revenue are not independent of each other and are performed as one business. This mirrors the approach taken in management reporting.

International Insurance

The segment consists of the underwriting of car and home insurance and the generation of revenue from additional products and fees from underwriting car insurance outside of the UK. It specifically covers the Group operations Admiral Seguros in Spain, ConTe in Italy, L'olivier Assurance in France and Elephant Auto in the US. None of these operations are reportable on an individual basis, based on the threshold requirements in IFRS 8.

Discontinued (Comparison)

As set out in note 13 to the financial statements, on 29 December 2020 the Group announced its planned sale of the majority of its comparison businesses. As such, these operations are considered a disposal group and are presented as discontinued operations in both 2020 and 2019.

The segment relates to the Group's comparison businesses: Confused.com in the UK, Rastreator in Spain, LeLynx in France, and the Preminen entities, which have a head office in Spain and operations in Mexico and India, and Penguin Portals, the intermediate holding company of Confused.com, LeLynx and Rastreator.

Each of the comparison businesses are operating in individual geographical segments but are grouped into one reporting segment, as none of the operating segments individually meet the reporting segment threshold requirements of IFRS 8.

Admiral Loans

The segment relates to the Admiral Loans business launched in 2017, which provides unsecured personal loans and car finance products in the UK, primarily through the comparison channel.

Other

The 'Other' segment is designed to be comprised of all other operating segments that are not separately reported to the Group's Board of Directors and do not meet the threshold requirements for individual reporting. It includes compare.com, the US comparison business, and Admiral Pioneer.

Taxes are not allocated across the segments and, as with the corporate activities, are included in the reconciliation to the consolidated income statement and consolidated statement of financial position.

An analysis of the Group's revenue and results for the year ended 31 December 2020, by reportable segment, is shown below. The accounting policies of the reportable segments are materially consistent with those presented in the notes to the financial statements for the Group.

	Year ended 31 December 2020							
	UK Insurance £m	International Insurance £m	Discontinued (Comparison)*6 £m	Admiral Loans £m	Other £m	Eliminations*2 £m	Total (continuing) £m	Total £m
Turnover*1	**2,672.0**	**648.8**	**183.9**	**38.4**	**6.8**	**(22.2)**	**3,365.8**	**3,527.7**
Net insurance premium revenue	**539.8**	**211.8**	—	—	—	—	**751.6**	**751.6**
Other Revenue and profit commission	**427.9**	**27.4**	**183.9**	**1.6**	**6.7**	**(22.2)**	**463.4**	**625.3**
Net interest income	—	—	—	**26.7**	—	**2.9**	**29.6**	**29.6**
Investment return*5	**50.8**	—	—	**0.5**	—	**(3.3)**	**48.0**	**48.0**
Net revenue	**1,018.5**	**239.2**	**183.9**	**28.8**	**6.7**	**(22.6)**	**1,292.6**	**1,454.5**
Net insurance claims	**(150.2)**	**(143.0)**	—	—	—	—	**(293.2)**	**(293.2)**
Expenses	**(170.0)**	**(87.4)**	**(151.4)**	**(42.6)**	**(9.8)**	**22.2**	**(309.6)**	**(439.0)**
Segment profit/(loss) before tax	**698.3**	**8.8**	**32.5**	**(13.8)**	**(3.1)**	**(0.4)**	**689.8**	**722.3**
Other central revenue and expenses, including share scheme charges							**(74.8)**	**(77.9)**
Investment and interest income							**4.9**	**4.9**
Finance costs*3							**(11.7)**	**(11.7)**
Consolidated profit before tax*4							**608.2**	**637.6**
Taxation expense							**(106.2)**	**(109.8)**
Consolidated profit after tax							**502.0**	**527.8**
Other segment items:								
– Intangible and tangible asset additions	**59.1**	**43.0**	**1.6**	**0.2**	**0.5**		**102.8**	**104.4**
– Depreciation and amortisation	**57.2**	**41.5**	**1.8**	**0.9**	**0.4**		**100.0**	**101.8**

- Turnover is an Alternative Performance Measure presented before intra-group eliminations and consists of total premiums written (including co-insurers' share) and Other revenue. Refer to the glossary and note 14 for further information.
- Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities and intra-group interest. Of the £22.2 million elimination of other revenue and profit commission, £22.0 million relates to discontinued operations, with the remaining £0.2 million relating to Compare.com
- £0.7 million of IFRS 16 interest expense (being the Group's net share of IFRS 16 interest expense) included within Finance Costs in the Income Statement has been reallocated to individual segments within expenses, in line with management segmental reporting.
- Profit before tax above of £637.6 million is presented on a statutory basis, being 100% of the result for

each entity. This increases to the Group's share of profit before tax of £638.4 million. See note 14f for a reconciliation of the UK Insurance, International Insurance and Comparison turnover and profit before tax to the Strategic Report.

- Investment return is reported net of impairment on financial assets, in line with management reporting.
- See note 13 for further detail on discontinued operations.

Revenue and results for the corresponding reportable segments for the year ended 31 December 2019 are shown below.

	Re-presented Year ended 31 December 2019						
	UK Insurance £m	International Insurance £m	Discontinued (Comparison)*6 £m	Admiral Loans £m	Other £m	Eliminations*2 £m	Total (continuing) £m
Turnover*1	2,635.0	623.6	164.3	32.7	7.9	(19.4)	3,298.5
Net insurance premium revenue	533.2	176.2	—	—	—	—	709.4
Other Revenue and profit commission	407.6	22.5	164.3	1.9	7.9	(19.4)	439.2
Net interest income	—	—	—	21.7	—	2.8	24.5
Investment return*5	30.4	1.5	—	—	—	(2.8)	29.1
Net revenue	971.2	200.2	164.3	23.6	7.9	(19.4)	1,202.2
Net insurance claims	(215.8)	(143.5)	—	—	—	—	(359.3)
Expenses	(157.5)	(57.6)	(142.4)	(32.0)	(14.0)	19.4	(260.4)
Segment profit/(loss) before tax	597.9	(0.9)	21.9	(8.4)	(6.1)	—	582.5
Other central revenue and expenses, including share scheme charges							(72.3)
Investment and interest income							6.2
Finance costs*4							(11.3)
Consolidated profit before tax*3							505.1
Taxation expense							(89.2)
Consolidated profit after tax							415.9
Other segment items:							
– Intangible and tangible asset additions	51.7	34.5	1.4	0.8	—	—	87.0
– Depreciation and amortisation	57.4	33.1	1.8	1.2	0.5	—	92.2

- Turnover is an Alternative Performance Measure presented before intra-group eliminations and consists of total premiums written (including co-insurers' share) and Other revenue. Refer to the glossary and note 14 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities. Of the £19.4 million elimination of other revenue and profit commission, £18.7 million relates to discontinued operations, with the remaining £0.7 million relating to Compare.com.
*3 Profit before tax above of £522.6 million is presented on a statutory basis, being 100% of the result for each entity. This increases to the Group's share of profit before tax of £526.1 million. See note 14f for a reconciliation of the UK Insurance, International Insurance and Comparison turnover and profit before tax to the Strategic Report.
*4 £1.2 million of IFRS 16 interest expense (being the Group's net share of IFRS 16 interest expense) included within Finance Costs in the Income Statement has been reallocated to individual segments within expenses, in line with management segmental reporting.
*5 Investment return is reported net of impairment on financial assets, in line with management reporting.
*6 See note 13 for further detail on discontinued operations.

Segment revenues

The UK and International Insurance reportable segments derive all insurance premium income from external policyholders. Revenue within these segments is not derived from an individual policyholder that represents 10% or more of the Group's total revenue.

The total of Discontinued (comparison) revenues from transactions with other reportable segments is £22.0 million (2019: £18.7 million) which has been eliminated on consolidation, along with £0.2 million (2019: £0.7 million) of revenues from compare.com that are also eliminated on consolidation.

Revenues from external customers for products and services are consistent with the split of reportable segment revenues.

Information about geographical locations

All material revenues from external customers, and net assets attributed to a foreign country, are shown within the International Insurance reportable segment shown on the previous pages. The revenue and results of the international Comparison businesses, Rastreator, LeLynx, compare.com and the Preminen entities are not material enough to be presented as a separate segment.

Segment assets and liabilities

The identifiable segment assets and liabilities at 31 December 2020 are as follows:

	As at 31 December 2020						
	UK Insurance £m	**International Insurance £m**	**Discontinued (comparison) £m**	**Admiral Loans £m**	**Other £m**	**Eliminations £m**	**Total £m**
Reportable segment assets	**6,446.7**	**1,006.0**	**112.6**	**427.3**	**226.1**	**(702.9)**	**7,515.8**
Reportable segment liabilities	**5,359.5**	**858.4**	**57.0**	**426.5**	**461.4**	**(654.2)**	**6,508.6**
Reportable segment net assets	**1,087.2**	**147.6**	**55.6**	**0.8**	**(235.3)**	**(48.7)**	**1,007.2**
Unallocated assets and liabilities							**116.2**
Consolidated net assets							**1,123.4**

Unallocated assets and liabilities consist of other central assets and liabilities, plus deferred and current corporation tax balances. These assets and liabilities are not regularly reviewed by the Board of Directors in the reportable segment format.

There is an asymmetrical allocation of assets and income to the reportable segments, in that the interest earned on cash and cash equivalent assets deployed in the UK Insurance, Comparison and International Insurance segments is not allocated in arriving at segment profits. This is consistent with regular reporting to the Board of Directors.

Eliminations represent inter-segment funding, balances included in insurance and other receivables and deemed loan receivables in respect of securitised loan receivables.

The segment assets and liabilities at 31 December 2019 are as follows:

	As at 31 December 2019 (re-presented)						
	UK Insurance £m	International Insurance £m	Discontinued (comparison)	Admiral Loans £m	Other £m	Eliminations £m	Total £m
Reportable segment assets	6,282.1	966.7	83.8	531.4	269.8	(902.9)	7,230.9
Reportable segment liabilities	5,232.7	824.4	43.6	524.8	599.1	(810.7)	6,413.9
Reportable segment net assets	1,049.4	142.3	40.2	6.6	(329.3)	(92.2)	817.0
Unallocated assets and liabilities							101.6
Consolidated net assets							918.6

5. Premium, claims and profit commissions

5a. Accounting policies

(i) Revenue – premiums

Premiums relating to insurance contracts are recognised as revenue, net of expected cancellations and insurance premium tax, proportionally over the period of cover. Premiums with an inception date after the end of the period are held in the statement of financial position as deferred revenue. Outstanding collections from policyholders related to unexpired risk are recognised within policyholder receivables. A corresponding unearned premium provision is recognised (see note 5a(iii)).

In the UK, in 2020 the Group announced a Stay at Home premium refund for all existing motor insurance customers, which amounted to £97.3 million net of insurance premium tax. The impact of this was to reduce gross insurance premium revenue (i.e. excluding co-insurer share of total premiums written) by £70.0m, and to reduce net insurance premium revenue by £21.1 million. The full impact of the refund has been reflected in the current period. See note 14g for further details.

(ii) Revenue – profit commission

Under some of the co-insurance and reinsurance contracts under which motor premiums are shared or ceded, profit commission may be earned on a particular year of account, which is usually subject to performance criteria such as loss ratios and expense ratios. The commission is dependent on the ultimate outcome of any year, with revenue being recognised when loss and expense ratios used in the preparation of the financial statements move below a contractual threshold.

Profit commission receivable from reinsurance contracts is accounted for in line with IFRS 4, whereas profit commission receivable from co-insurance contracts is in line with IFRS 15. Further detail of the policy under IFRS 15 is set out in note 8.

(iii) Insurance contracts and reinsurance assets

Premiums

The proportion of premium receivable on in-force policies relating to unexpired risks is reported in insurance contract liabilities and reinsurance assets as the unearned premium provision – gross and reinsurers' share respectively.

Claims

Claims and claims handling expenses are charged as incurred, based on the estimated direct and indirect costs of settling all liabilities arising on events occurring up to the balance sheet date.

The provision for claims outstanding comprises provisions for the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. Anticipated reinsurance recoveries are disclosed separately as assets.

Whilst the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the income statement for the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Provision for unexpired risks is made where necessary for the estimated amount required over and above unearned premiums (net of deferred acquisition costs) to meet future claims and related expenses.

Co-insurance

The Group has entered into certain co-insurance contracts under which insurance risks are shared on a proportional basis, with the co-insurer taking a specific percentage of premium written and being responsible for the same proportion of each claim. The co-insurer therefore takes direct insurance risk from the policyholder and is subsequently directly responsible to the claimant for its proportion of the claim. As the contractual liability is several and not joint, neither the premiums nor claims relating to the co-insurance are included in the income statement. Under the terms of these agreements the co-insurers reimburse the Group for the same proportionate share of the costs of acquiring and administering the business.

Reinsurance assets

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on the insurance contracts issued by the Group are classified as reinsurance contracts. A contract is only accounted for as a reinsurance contract where there is significant insurance risk transfer between the insured and the insurer.

Reinsurance assets are comprised of balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a consistent manner with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

The Group assesses its reinsurance assets for impairment on a regular basis, and in detail every six months. If there is objective evidence that the asset is impaired, then the carrying value will be written down to its recoverable amount.

On the commutation of reinsurance contracts, the reinsurer is discharged from all obligations relating to the contract. Reinsurance assets and liabilities relating to the commuted contracts are settled in the period in which the commutation agreement is signed.

5b. Net insurance premium revenue

	31 December 2020*1 £m	31 December 2019 £m
Total insurance premiums written before co-insurance*2	**2,957.2**	2,884.4
Group gross premiums written after co-insurance	**2,344.0**	2,273.7
Outwards reinsurance premiums	**(1,555.9)**	(1,541.4)
Net insurance premiums written	**788.1**	732.3
Change in gross unearned premium provision	**(78.7)**	(75.3)
Change in reinsurers' share of unearned premium provision	**42.2**	52.4
Net insurance premium revenue	**751.6**	709.4

*1 See note 14g for the impact of the "stay at home" premium refund issued to UK motor insurance customers on premiums written and net insurance premium revenue

*2 Alternative Performance Measures – refer to the end of the report for definition and explanation, and to note 14a for reconciliation to group gross premiums written.

The Group's share of its insurance business was underwritten by Admiral Insurance (Gibraltar) Limited, Admiral Insurance Company Limited, Admiral Europe Compania Seguros ('AECS') and Elephant Insurance Company. The vast majority of contracts are short term in duration, lasting for 10 or 12 months.

5c. Profit commission

	31 December 2020 £m	31 December 2019 £m
Underwriting year (UK Motor only)		
2015 and prior	**38.2**	48.3
2016	**25.1**	27.5
2017	**23.3**	36.4
2018	**5.5**	—
2019	**20.9**	—
2020	**11.7**	—
Total UK Motor profit commission*1	**124.7**	112.2
Total UK Household and International profit commission*1	**9.3**	2.7
Total profit commission	**134.0**	114.9

*1 Of the total UK motor profit commission recognised of £124.7 million, £102.3 million relates to co-insurance arrangements and £22.4 million to reinsurance arrangements. The UK Household and International profit commission relates solely to reinsurance arrangements.

Sensitivities of the recognition of profit commission to movements in the booked loss ratio are shown in note 5d(ii).

5d. Reinsurance assets and insurance contract liabilities

(i) Objectives, policies and procedures for the management of insurance risk

The Group's primary business is the issuance of insurance contracts that transfer risk from policyholders to the Group and its co-insurance partners.

Insurance risk involves uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued. It is primarily comprised of Reserve risk; the risk that the value of insurance liabilities established is insufficient to cover the ultimate cost of claims incurred at the balance sheet date, and premium risk; the risk that the claims experience on business written but not earned is higher than allowed for in the premiums charged to policyholders.

The Board of Directors is responsible for the management of insurance risk, although as mentioned in note 6, it has delegated the detailed oversight of risk management to the Group Risk Committee.

The Group also has a Reserving Committee which comprises senior managers within the finance, claims, pricing and actuarial functions. The Reserving Committee primarily recommends the approach for UK Car Insurance reserving but also reviews the systems and controls in place to support accurate reserving and considers material reserving issues such as large bodily injury claims frequency and severity.

The Board implements certain policies in order to mitigate and control the level of insurance risk accepted by the Group. These include pricing policies and claims management and administration processes, in addition to reserving policies and co- and reinsurance arrangements as detailed below.

Reserve Risk

Reserving risk is mitigated through a series of processes and controls. The key processes are as follows:

- Regular management and internal actuarial review of individual and aggregate case claim reserves, including regular reporting of management information and exception reporting of significant movements;
- Regular management and internal actuarial review of large claims, including claims settled or potentially settled by PPOs for which the uncertainty is increased by factors such as the lifetime of the claimant and movements in the indexation for the cost of future care of the claimant;
- Bi-annual external actuarial review of best estimate claims reserves using a variety of recognised actuarial techniques;
- Internal actuarial analysis of reserve uncertainty through qualitative analysis, scenario testing and a range of stochastic reserving techniques;
- Ad hoc external reviews of reserving related processes and assumptions;
- Use of a reserving methodology which informs management's reserving decisions for the purposes of the Group's financial statements. As described in note 3, critical accounting judgements and estimates, the methodology determines that reserves should be set above projected best estimate outcomes to allow for unforeseen adverse claims development.

As noted above, the Group shares a significant amount of the insurance business generated with external underwriters. As well as these proportional arrangements, excess of loss reinsurance programmes are also purchased to protect the Group against very large individual claims and catastrophe losses.

Claims reserving

As previously disclosed, Admiral's reserving policy (both within the claims function and in the financial statements) is initially to reserve conservatively, above internal and independent projections of actuarial best estimates. This is designed to create a margin held in reserves to allow for unforeseen adverse development in open claims and typically results in Admiral making above industry average reserve releases. Admiral's booked claims reserves continue to include a significant margin above projected best estimates of ultimate claims costs.

As at 31 December 2020, the level of relative reserve margin is consistent with that at 31 December 2019, albeit remaining prudent when measured against the internal reserve risk distribution and other market benchmarks.

As profit commission income is recognised in the income statement in line with loss ratios accounted for on Admiral's own claims reserves, the reserving policy also results in profit commission income being deferred and recognised over time.

Premium Risk

As noted above, the Group defines Premium risk as the risk that claims cost on business written but not yet earned is higher than allowed for in the premiums charged to policyholders. This also includes catastrophe risk; the risk of incurring significant losses as a result of the occurrence of manmade catastrophe or natural weather events.

Key processes and controls operating to mitigate premium risk are as follows:

- Experienced and focused senior management and teams in relevant business areas including pricing and claims management;
- A data-driven and analytical approach to regular monitoring of claims and underwriting performance;
- Capability to identify and resolve underperformance promptly through changes to key performance drivers, in particular pricing.

In addition, as mentioned above, excess of loss reinsurance programmes are also purchased to protect the Group against very large individual claims and catastrophe losses.

Other elements of insurance risk include reinsurance risk; the risk of placement of ineffective reinsurance arrangements, or the economic risk of reduced availability of co-insurance and reinsurance arrangements in future periods.

The Group mitigates these risks by ensuring that it has a diverse range of financially secure reinsurance partners, including a long-term relationship with Munich Re and a number of other very large reinsurers.

Concentration of insurance risk

The Directors do not believe there are significant concentrations of insurance risk. This is because, although the Group has historically written only one significant line of UK insurance business, the risks are spread across a large number of people and a wide regional base. The International Car Insurance, UK Household, UK Travel and UK Van businesses further contribute to the diversification of the Group's insurance risk.

Information regarding reinsurance credit risk is provided in note 6j to the financial statements.

(ii) Sensitivity of recognised amounts to changes in assumptions

Underwriting year loss ratios – UK Car Insurance

The following table sets out the impact on equity and post-tax profit or loss at 31 December 2020 that would result from a 1%, 3% and 5% increase and decrease in the UK Car insurance loss ratios used for each underwriting year for which material amounts remain outstanding. This includes the impact on profit commission of the respective changes in booked loss ratios, which are also shown separately below.

Total impact on Income Statement (including profit commission)	Underwriting year			
	2017	2018	2019	2020
Booked loss ratio	70%	78%	76%	72%
Impact of 1% deterioration in booked loss ratio (£m)	(14.3)	(11.6)	(8.8)	(3.2)
Impact of 3% deterioration in booked loss ratio (£m)	(43.5)	(31.8)	(28.6)	(9.4)
Impact of 5% deterioration in booked loss ratio (£m)	(71.7)	(52.2)	(39.3)	(14.8)
Impact of 1% improvement in booked loss ratio (£m)	14.9	13.0	15.8	3.2
Impact of 3% improvement in booked loss ratio (£m)	44.1	42.3	44.2	9.7
Impact of 5% improvement in booked loss ratio (£m)	73.2	72.1	72.5	16.6

As above, the impact is stated net of reinsurance and includes the change in net insurance claims along with the associated profit commission movements that result from changes in loss ratios. The figures are stated net of tax at the current rate.

The following table sets out the impact on equity and post-tax profit or loss at 31 December 2020 that would result from a 1%, 3% and 5% increase and decrease in the UK Car insurance loss ratios used for each underwriting year for which material amounts remain outstanding, on profit commission only.

Impact on profit commission only	Underwriting year			
	2017	2018	2019	2020
Booked loss ratio	70%	78%	76%	72%
Impact of 1% deterioration in booked loss ratio (£m)	(4.1)	(2.7)	(6.3)	(1.9)
Impact of 3% deterioration in booked loss ratio (£m)	(12.8)	(5.1)	(21.0)	(5.4)
Impact of 5% deterioration in booked loss ratio (£m)	(20.6)	(7.8)	(26.8)	(8.1)
Impact of 1% improvement in booked loss ratio (£m)	4.7	4.1	13.3	1.9
Impact of 3% improvement in booked loss ratio (£m)	13.4	15.7	36.7	5.7
Impact of 5% improvement in booked loss ratio (£m)	22.1	27.7	60.0	10.0

Sensitivities to key assumptions in the best estimate reserves have not been presented, given the significant and prudent margin held above best estimate reserves and the co- and reinsurance arrangements that are also considered when determining the net impact on the income statement. The underwriting year sensitivities presented above are considered to provide relevant and transparent information on the changes to key inputs to the financial statements.

(iii) Analysis of recognised amounts

	31 December 2020 £m	31 December 2019 £m
Gross		
Claims outstanding*1	**2,919.9**	2,899.4
Unearned premium provision	**1,161.4**	1,075.6
Total gross insurance liabilities	**4,081.3**	3,975.0
Recoverable from reinsurers		
Claims outstanding	**1,319.3**	1,354.2
Unearned premium provision	**763.9**	717.5
Total reinsurers' share of insurance liabilities	**2,083.2**	2,071.7
Net		
Claims outstanding*2	**1,600.6**	1,545.2
Unearned premium provision	**397.5**	358.1
Total insurance liabilities – net	**1,998.1**	1,903.3

- Gross claims outstanding at 31 December 2020 is presented before the deduction of salvage and subrogation recoveries totalling £70.5 million (2019: £71.7 million).

*2 Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24-36 months following the start of the underwriting year. After commutation, claims outstanding from these contracts are included in Admiral's net claims outstanding balance. Refer to note (v) below.

(iv) Analysis of claims incurred

The following tables illustrate the development of gross and net UK Insurance and International Insurance claims incurred for the past ten financial periods, including the impact of re-estimation of claims provisions at the end of each financial year. The first table shows actual gross claims incurred and the second shows actual net claims incurred. Figures are presented on an underwriting year basis.

Analysis of claims incurred (gross amounts)	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	Total £m
	Financial year ended 31 December										
Underwriting year (UK insurance)											
2011 and prior	(694.4)	(325.5)	85.1	79.4	58.5	3.2	31.2	27.4	17.0	**8.3**	**(709.8)**
2012	—	(463.7)	(334.7)	49.8	69.2	8.6	59.9	30.3	8.5	**6.3**	**(565.8)**
2013	—	—	(431.1)	(325.5)	53.6	44.4	34.2	35.2	8.2	**15.4**	**(565.6)**
2014	—	—	—	(438.2)	(347.1)	25.6	17.1	52.0	15.7	**22.5**	**(652.4)**
2015	—	—	—	—	(428.4)	(411.2)	21.7	53.3	58.0	**34.0**	**(672.6)**
2016	—	—	—	—	—	(529.4)	(463.7)	82.1	54.8	**46.1**	**(810.1)**
2017	—	—	—	—	—	—	(691.8)	(615.0)	123.1	**79.5**	**(1,104.2)**
2018	—	—	—	—	—	—	—	(818.8)	(546.9)	**52.8**	**(1,312.9)**
2019	—	—	—	—	—	—	—	—	(812.4)	**(476.2)**	**(1,288.6)**
2020	—	—	—	—	—	—	—	—	—	**(697.4)**	**(697.4)**
UK insurance gross claims incurred	**(694.4)**	**(789.2)**	**(680.7)**	**(634.5)**	**(594.2)**	**(858.8)**	**(991.4)**	**(1,153.5)**	**(1,074.0)**	**(908.7)**	
Underwriting year (International insurance)[*1]											
2011 and prior	(65.6)	(54.2)	1.1	10.8	3.0	4.6	1.8	2.8	1.6	**0.4**	**(93.7)**
2012	—	(58.0)	(53.7)	0.7	4.0	6.0	2.6	2.0	1.5	**(0.8)**	**(95.7)**
2013	—	—	(68.2)	(57.8)	4.2	7.7	3.3	5.8	1.3	**0.2**	**(103.5)**
2014	—	—	—	(85.2)	(65.5)	4.4	5.8	5.5	2.0	**(0.4)**	**(133.4)**
2015	—	—	—	—	(92.6)	(101.6)	7.7	3.1	0.1	**(0.1)**	**(183.4)**
2016	—	—	—	—	—	(138.9)	(125.3)	11.7	6.9	**3.6**	**(242.0)**
2017	—	—	—	—	—	—	(174.1)	(147.3)	16.5	**8.6**	**(296.3)**
2018	—	—	—	—	—	—	—	(204.9)	(165.7)	**20.1**	**(350.5)**
2019	—	—	—	—	—	—	—	—	(293.8)	**(141.2)**	**(435.0)**
2020	—	—	—	—	—	—	—	—	—	**(233.6)**	**(233.6)**
International insurance gross claims incurred	**(65.6)**	**(112.2)**	**(120.8)**	**(131.5)**	**(146.9)**	**(217.8)**	**(278.2)**	**(321.3)**	**(429.6)**	**(343.2)**	
Other gross claims incurred	0.0	(1.7)	(2.2)	(7.1)	(5.4)	(0.1)	(3.6)	(1.1)	—	—	
Claims handling costs	(25.9)	(26.0)	(22.9)	(21.4)	(22.6)	(27.1)	(35.5)	(37.9)	(64.5)	(66.7)	
Total gross claims incurred	**(785.9)**	**(929.1)**	**(826.6)**	**(794.5)**	**(769.1)**	**(1,103.8)**	**(1,308.7)**	**(1,513.8)**	**(1,568.1)**	**(1,318.6)**	

Analysis of claims incurred (net amounts)	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	Total £m
	Financial year ended 31 December										
Underwriting year (UK insurance)											
2011 and prior	(323.6)	(148.3)	81.4	79.4	57.6	22.4	37.6	19.9	17.2	**3.4**	**(153.0)**
2012	—	(196.0)	(139.3)	49.8	69.2	19.4	59.1	30.6	4.9	**8.2**	**(94.1)**
2013	—	—	(184.4)	(135.0)	38.4	49.3	36.4	34.7	4.4	**13.7**	**(142.5)**
2014	—	—	—	(187.0)	(144.1)	(16.4)	25.3	38.4	17.2	**18.6**	**(248.0)**
2015	—	—	—	—	(182.1)	(162.0)	(2.6)	42.6	48.2	**26.1**	**(229.8)**
2016	—	—	—	—	—	(219.4)	(180.7)	48.1	50.7	**46.6**	**(254.7)**
2017	—	—	—	—	—	—	(214.3)	(182.9)	77.8	**67.1**	**(252.3)**
2018	—	—	—	—	—	—	—	(261.0)	(165.2)	**40.6**	**(385.6)**
2019	—	—	—	—	—	—	—	—	(258.1)	**(142.5)**	**(400.6)**
2020	—	—	—	—	—	—	—	—	—	**(218.5)**	**(218.5)**
UK insurance net claims incurred	(323.6)	(344.3)	(242.3)	(192.8)	(161.0)	(306.7)	(239.2)	(229.6)	(202.9)	**(136.7)**	
Underwriting year (International insurance)											
2011 and prior	(28.3)	(24.4)	0.3	5.4	1.4	2.2	0.9	1.3	0.7	**0.3**	**(40.2)**
2012	—	(24.2)	(22.8)	(0.8)	2.0	2.2	1.3	1.0	0.7	**(0.4)**	**(41.0)**
2013	—	—	(26.6)	(23.5)	1.7	4.8	0.9	3.0	0.7	**0.1**	**(38.9)**
2014	—	—	—	(31.6)	(23.3)	1.8	1.8	2.2	0.8	**(0.1)**	**(48.4)**
2015	—	—	—	—	(33.4)	(39.6)	5.1	1.3	1.3	—	**(65.3)**
2016	—	—	—	—	—	(47.9)	(43.5)	6.3	2.4	**1.5**	**(81.2)**
2017	—	—	—	—	—	—	(60.7)	(51.5)	5.5	**3.2**	**(103.5)**
2018	—	—	—	—	—	—	—	(71.2)	(58.4)	**7.8**	**(121.8)**
2019	—	—	—	—	—	—	—	—	(89.6)	**(50.1)**	**(139.7)**
2020	—	—	—	—	—	—	—	—	—	**(95.4)**	**(95.4)**
International insurance net claims incurred	(28.3)	(48.6)	(49.1)	(50.5)	(51.6)	(76.5)	(94.2)	(107.6)	(135.9)	**(133.1)**	
Other net claims incurred	0.0	(0.8)	(2.1)	(6.9)	(5.4)	(0.2)	(2.6)	(1.1)	—	—	

Claims handling costs	(11.9)	(10.8)	(9.5)	(8.9)	(9.4)	(11.2)	(11.1)	(11.8)	(20.5)	(23.4)
Total net claims incurred	**(363.8)**	**(404.5)**	**(303.0)**	**(259.1)**	**(227.4)**	**(394.6)**	**(347.1)**	**(350.1)**	**(359.3)**	**(293.2)**

The table below shows the development of UK Car Insurance loss ratios for the past six financial periods, presented on an underwriting year basis.

	Financial year ended 31 December				
UK Car Insurance loss ratio development	2015	2016	2017	2018	**2019**
Underwriting year (UK Car only)					
2015	87%	87%	83%	77%	72%
2016	—	88%	84%	77%	73%
2017	—	—	87%	83%	75%
2018	—	—	—	92%	81%
2019	—	—	—	—	92%
2020	—	—	—	—	—

(v) Analysis of claims reserve releases

The following table analyses the impact of movements in prior year claims provisions on a gross and net basis. Figures are presented on an underwriting year basis, other than for the 2019 year which is presented on an accident year basis due to the impact of Covid-19.

	Financial year ended 31 December					
Gross	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Underwriting year (UK Motor insurance)						
2015 and prior	197.7	135.7	190.3	174.5	91.2	**69.9**
2016	—	—	23.7	70.6	50.6	**46.3**
2017	—	—	—	25.4	110.6	**69.8**
2018	—	—	—	—	83.2	**57.3**
2019	—	—	—	—	—	**54.8**
Total gross release (UK Motor Insurance)	197.7	135.7	214.0	270.5	335.6	**298.1**
Total gross release (UK Household Insurance)	—	—	1.6	4.6	8.3	**9.2**
Total gross release (International Insurance)	14.0	21.0	23.2	35.2	39.1	**53.2**
Total gross release	211.7	156.7	238.8	310.3	383.0	**360.5**

	Financial year ended 31 December					
Net	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Underwriting year (UK Motor Insurance)						
2015 and prior	173.4	75.4	155.9	165.9	91.2	**69.9**
2016	—	—	10.0	47.1	50.6	**46.3**
2017	—	—	—	8.0	75.8	**67.7**
2018	—	—	—	—	25.8	**40.7**
2019	—	—	—	—	—	**17.0**
Total net release (UK Motor Insurance)	173.4	75.4	165.9	221.0	243.4	**241.6**
Total net release (UK Household Insurance)	—	—	0.5	1.4	2.5	**2.8**
Total net release (International Insurance)	6.5	9.9	9.5	13.5	14.4	**18.6**
Total net release	179.9	85.3	175.9	235.9	260.3	**263.0**
Analysis of net releases on UK Motor Insurance:						
– Net releases on Admiral net share (UK motor)	84.6	58.3	92.1	111.4	121.7	**104.3**
– Releases on commuted quota share reinsurance contracts (UK motor)	88.8	17.1	73.8	109.6	121.7	**137.3**
Total net release as above	173.4	75.4	165.9	221.0	243.4	**241.6**

Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24 or 36 months following the start of the underwriting year. After commutation, any changes in claims costs on the commuted proportion of the business are reflected within claims costs and are separately analysed here. Releases on commuted quota share contracts are analysed by underwriting year as follows:

	Financial year ended 31 December				
	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Underwriting year					
2015 and prior	17.1	73.8	91.9	50.7	**40.9**
2016	—	—	17.7	29.5	**27.0**
2017	—	—	—	41.5	**46.0**
2018	—	—	—	—	**23.4**

Total releases on commuted quota share reinsurance contracts	17.1	73.8	109.6	121.7	**137.3**

Profit commission is analysed in note 5c.

(vi) Reconciliation of movement in claims provision

	31 December 2020		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	**2,899.4**	**(1,354.2)**	**1,545.2**
Claims incurred (excluding claims handling costs and releases)	**1,612.4**	**(1,079.6)**	**532.8**
Reserve releases	**(360.5)**	**97.5**	**(263.0)**
Movement in claims provision due to commutation	—	**352.7**	**352.7**
Claims paid and other movements	**(1,231.4)**	**664.3**	**(567.1)**
Claims provision at end of period	**2,919.9**	**(1,319.3)**	**1,600.6**

	31 December 2019		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,740.5	(1,220.1)	1,520.4
Claims incurred (excluding claims handling costs and releases)	1,886.6	(1,287.6)	599.0
Reserve releases	(383.0)	122.7	(260.3)
Movement in claims provision due to commutation	—	257.1	257.1
Claims paid and other movements	(1,344.7)	773.7	(571.0)
Claims provision at end of period	2,899.4	(1,354.2)	1,545.2

(vii) Reconciliation of movement in net unearned premium provision

	31 December 2020		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	**1,075.6**	**(717.5)**	**358.1**
Written in the period	**2,344.0**	**(1,555.9)**	**788.1**
Earned in the period	**(2,265.3)**	**1,513.7**	**(751.6)**
Translation differences	**7.1**	**(4.2)**	**2.9**
Unearned premium provision at end of period	**1,161.4**	**(763.9)**	**397.5**

	31 December 2019		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	995.9	(663.4)	332.5
Written in the period	2,273.7	(1,541.4)	732.3
Earned in the period	(2,194.0)	1,487.3	(706.7)
Unearned premium provision at end of period	1,075.6	(717.5)	358.1

6. Investment Income and costs

6a. Accounting policies

i) Financial assets

Classification and measurement

The classification and subsequent measurement of the financial asset under IFRS 9 depends on:

a. the Group’s business model for managing the financial assets and
b. the contractual cash flows characteristics of the financial asset.

Based on these factors, the financial asset is classified into one of the following categories:

·Amortised cost – assets which are held in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding (SPPI), where the asset is not designated as FVTPL.

For the Group, these include deposits with credit institutions, cash and cash equivalents, insurance receivables, trade and other receivables and loans and advances to customers.

The interest income generated from these assets is included in 'Investment return' with the exception of Loans and advances to customer, where the interest receivable is recognised in 'Interest income'.

Impairment is recognised on these assets using the expected credit loss model.

·Fair value through other comprehensive income (FVOCI) – assets which are held both to collect contractual cash flows and to sell the asset, where the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding (SPPI), where the asset is not designated as FVTPL.

For the Group, these assets include government and corporate debt.

In addition, IFRS 9 allows an irrevocable election at initial recognition to designate equity investments at FVOCI that otherwise would be held at FVTPL, provided these are not held for trading. The Group has made this election for certain equity investments.

Movements in the carrying amount are taken through OCI, with the exception of recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognised in profit or loss.

·Fair value through profit or loss (FVTPL) – assets which do not meet the criteria for amortised cost or FVOCI, or which are designated as FVTPL.

For the Group these assets include liquidity funds investing in short duration assets and derivative financial instruments.

A gain or loss on disposal of an investment measured at FVOCI is presented within 'Investment return' in the period in which it arises.

Impairment

The expected credit loss model is used to calculate any impairment to be recognised for all assets measured at amortised cost, as well as financial investments measured at FVOCI. The general approach, which utilises the three-stage model, is used for Loans and advances to customers (see note 7) whilst impairment for the remaining assets is measured using the simplified approach.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from that asset have expired, or when the Group transfers the asset and all the attached substantial risks and rewards relating to the asset to a third party.

ii) Financial Liabilities

Classification and subsequent measurement

All financial liabilities are classified as subsequently measured at amortised cost using the effective interest method, except for derivatives that are classified at fair value through profit or loss and subsequently measured at fair value.

Movements in the amortised cost are recognised through the income statement.

Derecognition

A financial liability is derecognised when the obligation under that liability is discharged, cancelled or expires.

iii) Investment return and finance costs

Investment return from financial assets comprises distributions as well as net realised and unrealised gains on financial assets classified as FVTPL, interest income and net realised gains from financial assets classified as FVOCI, and interest income from financial assets classified as Amortised cost.

Finance costs from financial liabilities comprise interest expense on subordinated notes, loan backed securities, credit facilities and lease liabilities, calculated using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial asset or liability (or group of financial assets or financial liabilities) and allocates the interest income or expense over the expected life of the asset or liability.

6b. Investment return

			31 December 2020 £m			Re-presented*4 31 December 2019 £m
	At EIR	**Other**	**Total**	At EIR	Other	Total
Investment return						
On assets classified as FVTPL	**—**	**8.5**	**8.5**	—	11.4	11.4
On assets classified as FVOCI*1*3	**32.5**	**5.0**	**37.5**	34.8	0.1	34.9
On assets classified as amortised costs*1	**1.4**	**—**	**1.4**	1.6	—	1.6
Net unrealised losses						
Unrealised losses on forward contracts	**—**	**—**	**—**	—	(0.1)	(0.1)
Accrual for reinsurers' share of investment return	**—**	**12.9**	**12.9**	**—**	(12.9)	(12.9)
Interest receivable on cash and cash equivalents*1	**—**	**0.4**	**0.4**	—	0.8	0.8
Total investment and interest income *2	**33.9**	**26.8**	**60.7**	36.4	(0.7)	35.7

*1 Interest received during the year was £10.1 million (2019: £11.6 million)
*2 Total investment return excludes £2.9 million of intra-group interest (2019: £2.8 million)
*3 Realised gains on sales of debt securities classified as FVOCI are £5.0 million (2019: £nil)
*4 2019 Investment return re-presented to show interest expense at effective interest rate separately, and to exclude the movement on expected credit loss provisions now shown as a separate expense.

6c. Finance costs

Continuing operations	**31 December 2020 £m**	Re-presented 31 December 2019 £m
Interest payable on subordinated loan notes and other credit facilities*1*2	**11.7**	11.4
Interest payable on lease liabilities *1	**2.6**	3.1
Interest recoverable from co and re-insurers	**(2.0)**	(2.0)
Total finance costs on continuing operations	**12.3**	12.5

*1 Interest paid during the year was £14.0 million (2019: £14.0 million)
*2 See note 7e for details of credit facilities

Finance costs represent interest payable on the £200.0 million (2019: £200.0 million) subordinated notes and other financial liabilities.

Interest payable on lease liabilities represents the unwinding of the discount on lease liabilities under IFRS 16 and does not result in a cash payment.

6d. Expected credit losses

	Note	**31 December 2020 £m**	31 December 2019 £m
Expected credit losses on financial investments	6f	**7.8**	0.4

Expected credit losses on Loans and advances to customers[*1]	7b	**25.8**	13.8
Total expense for expected credit losses		**33.6**	14.2

*1 Includes £7.8 million of write-offs, with total movement in the expected credit loss provision being £25.8 million.

See note 6f and note 7b for details of the impairment methodology.

6e. Financial assets and liabilities

The Group's financial assets and liabilities can be analysed as follows:

Continuing operations	**31 December 2020 £m**	31 December 2019 £m
Financial investments measured at FVTPL		
Money market and other similar funds	**1,339.3**	**1,160.2**
Financial investments classified as FVOCI		
Debt securities	**1,912.7**	**1,776.3**
Government gilts	**177.3**	**174.0**
	2,090.0	**1,950.3**
Equity investments (designated FVOCI)	**11.3**	**7.5**
	2,101.3	**1,957.8**
Financial assets measured at amortised cost		
Deposits with credit institutions	**65.4**	**116.5**
Total financial investments	**3,506.0**	**3,234.5**
Other financial assets		
Insurance receivables	**977.9**	**948.9**
Trade and other receivables (measured at amortised cost)	**204.1**	**278.8**
Insurance and other receivables	**1,182.0**	**1,227.7**
Loans and advances to customers (note 7)	**359.8**	**455.1**
Cash and cash equivalents	**298.2**	**281.7**
Total financial assets from continuing operations	**5,346.0**	**5,199.0**
Financial liabilities		
Subordinated notes	**204.3**	**204.2**
Loan backed securities	**260.7**	**304.5**
Other borrowings	**20.0**	**20.0**
Derivative financial instruments	**3.6**	**1.4**
Subordinated and other financial liabilities	**488.6**	**530.1**
Trade and other payables[*1]	**1,991.2**	**1,975.9**
Lease liabilities	**122.8**	**137.1**
Total financial liabilities	**2,602.6**	**2,643.1**

*1 Trade and other payables total balance of £1,991.2 million (2019: £1,975.9 million) above includes £1,502.6 million (2019: £1,491.3 million) in relation to tax and social security, deferred income and reinsurer balances that are outside the scope of IFRS 9.

The maturity profile of financial assets and liabilities under the scope of IFRS 4 & 9 at 31 December 2020 is as follows:

	On demand £m	**< 1 year £m**	**Between 1 and 2 years £m**	**> 2 years £m**
Financial investments				
Money market funds and derivative financial instruments	—	1,339.3	—	—
Deposits with credit institutions	—	55.4	10.0	—
Debt securities	—	202.7	429.1	1,280.9
Government gilts	—	—	—	177.3
Total financial investments	—	1,597.4	439.1	1,458.2
Trade and other receivables	—	204.1	—	—
Loans and advances to customers	—	116.9	125.6	117.3
Cash and cash equivalents	298.2	—	—	—
Total financial assets	**298.2**	**1,918.4**	**564.7**	**1,575.5**
Financial liabilities				

Subordinated notes	—	11.0	11.0	222.0
Loan backed securities	—	102.7	83.8	86.1
Other borrowings	—	20.3	—	—
Trade and other payables*1	—	1,751.4	—	—
Total financial liabilities	**—**	**1,885.4**	**94.8**	**308.1**

*1 Of the £1,751.4 million held within trade and other payables in the maturity table, £1,262.8 million do not meet the definition of a financial liability under IFRS 9 but fall within the scope of IFRS 4 hence are included in the above maturity profile.

The maturity profile of financial assets and liabilities under the scope of IFRS 4 & 9 at 31 December 2019 was as follows:

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial investments				
Money market funds and derivative financial instruments	—	1,145.1	1.0	14.0
Deposits with credit institutions	—	96.5	20.0	—
Debt securities	—	462.6	196.6	1,117.1
Government gilts	—	—	—	174.0
Total financial investments	—	1,704.2	217.6	1,305.1
Trade and other receivables	—	278.8	—	—
Loans and advances to customers	—	128.6	134.2	192.3
Cash and cash equivalents	281.7	—	—	—
Total financial assets	281.7	2,111.6	351.8	1,497.4
Financial liabilities				
Subordinated notes	—	11.0	11.0	233.0
Loan backed securities	—	102.3	90.9	125.7
Other borrowings	—	20.3	—	—
Trade and other payables	—	1,705.9	—	—
Total financial liabilities	—	1,839.5	101.9	358.7

*1 Of the £1,705.9 million held within trade and other payables, £1,221.3 million do not meet the definition of a financial liability under IFRS 9 but fall within the scope of IFRS 4 hence are included in the above maturity profile.

The maturity profile of gross insurance liabilities at the end of 2020 is as follows:

	< 1 year £m	**1–3 years £m**	**> 3 years £m**
Claims outstanding	**874.3**	**816.3**	**1,229.3**
Unearned premium provision	**1,161.4**	—	—
Total gross insurance liabilities	**2,035.7**	**816.3**	**1,229.3**

The maturity profile of gross insurance liabilities at the end of 2019 was as follows:

	< 1 year £m	1–3 years £m	> 3 years £m
Claims outstanding	813.7	497.0	1,588.7
Unearned premium provision	1,075.6	—	—
Total gross insurance liabilities	1,889.3	497.0	1,588.7

6f. Financial Investments

				31 December 2020
	FVTPL £m	**FVOCI £m**	**Amortised Cost*2 £m**	**Total £m**
AAA- AA	471.9	889.7	38.8	1,400.4
A	637.0	756.7	325.9	1,719.6
BBB	52.3	380.1	52.3	484.7
Sub BBB	31.7	—	0.1	31.8
Not rated*1	146.4	74.8	—	221.2
Total financial investments	**1,339.3**	**2,101.3**	**417.1**	**3,857.7**

- The majority (£136.7 million) of the unrated exposure stems from money market funds, which are rated AAA, but the underlying securities are not. These specific exposures are repurchase agreements. The remaining unrated exposure is a mixture of private debt (£70.3 million) and other holdings (£14.2 million).

*2 Investments held at amortised cost comprise deposits with credit institutions, and cash (including cash held by discontinued operations of £53.5 million)

				31 December 2019
	FVTPL £m	FVOCI £m	Amortised Cost*2 £m	Total £m
AAA- AA	414.5	861.0	68.7	1,344.2
A	441.2	733.6	308.5	1,483.3
BBB	28.5	304.3	20.2	353.0
Sub BBB	13.3	—	0.1	13.4
Not rated*1	262.7	58.9	0.7	322.3
Total financial investments	**1,160.2**	**1,957.8**	**398.2**	**3,516.2**

*1 The majority (£234.4m) of the unrated exposure stems from money market funds, which are rated AAA, but the underlying securities are not. These specific exposures are repurchase agreements. The remaining unrated exposure is a mixture of private debt (£77.2m) and other holdings (£10.7m).

Classification and Measurement

At initial recognition, the Group measures financial investments at fair value plus or minus, in the case of financial instruments not measured at fair value through profit and loss, directly attributable transaction costs. Transaction costs of financial instruments measured at fair value through profit and loss are expensed to the profit and loss when incurred.

Money market funds and derivative financial instruments are measured at FVTPL. The regulatory capital within the Group is used to invest in these instruments in addition to any surplus funds which may be held. Buying and selling activity occurs depending on timing of different cashflows.

Debt securities are measured at FVOCI and as such fall under the scope of the ECL model. These assets are held to match policyholder liabilities or interest on debt liabilities. If sold before maturity, gains or losses on these assets impact the P&L.

Private Equity investments have been designated as being reported through FVOCI due to these being long term, strategic investments. Dividends are recognised in the Income Statement whilst a change in fair values will be reflected in OCI. Given the immaterial amount (£11.3 million) of these investments, detailed levelling disclosures have not been provided.

Impairment

All financial investments held at FVOCI and at amortised cost have been assessed for impairment using the expected credit loss model under IFRS 9. The assessment has been made based on the credit ratings of the entities and externally available credit loss ratios.

The fair value of debt securities is calculated with reference to quoted market valuations and as such take into account future expected credit losses. As a result, no impairment provision is required against the book value. The calculated impairment loss within the fair value is recognised through the Income Statement whilst fair value movements are recognised in other comprehensive income. Deposits are held with well rated institutions and are held at book value, with impairment calculated in a similar manner to debt securities.

All assets which require a calculation of impairment, are considered based on an external credit rating agency or an assessment from Admiral's external asset managers. The credit rating of all assets is regularly monitored. As at the year-end reporting date, the vast majority of financial assets are of investment grade and considered low risk under IFRS 9. These therefore remain within stage 1 and a 12-month expected loss is used to calculate the impairment provision required.

Any assets below BBB are considered by the Group to have significantly increased in credit risk, and therefore are stage 2 under IFRS9.

The impairment provision at 31 December 2020 is £8.7 million (£0.9 million at 31 December 2019). Given there is no material change in the credit quality or type of financial assets in the year and the movement in provision is immaterial, no further disclosure has been made.

Fair value measurement

IFRS 13 requires assets and liabilities that are held at fair value to be classified according to a hierarchy which reflects the observability of significant market inputs, based on three levels.

The table below shows how the financial assets held at fair value have been measured using the fair value hierarchy:

	31 December 2020		31 December 2019	
	FVTPL £m	**FVOCI £m**	**FVTPL £m**	**FVOCI £m**
Level One (quoted prices in active markets)	1,339.3	2,090.0	1,160.2	1,950.3
Level Two (use of observable inputs)	—	—	—	—
Level Three (use of significant unobservable inputs)*1	—	11.3	—	7.5
Total	**1,339.3**	**2,101.3**	1,160.2	1,957.8

*1 No further information is provided due to the immateriality of the balance.

Deposits are held with well rated institutions; as such the approximate fair value is the book value of the investments as impairment of the capital is not expected.

6g. Cash and cash equivalents

Continuing operations	**31 December 2020 £m**	31 December 2019 £m
Cash at bank and in hand*1	**298.2**	281.7
Short-term deposits	**—**	—
Total cash and cash equivalents	**298.2**	281.7

*1 £4.4 million of cash is ring-fenced via a bank guarantee. See note 11f for further details.

Total cash and cash equivalents, including discontinued operations, is £351.7 million (2019: £281.7 million).

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term deposits with original maturities of three months or less. All cash and cash equivalents are measured at amortised cost.

An assessment has been completed for impairment purposes in line with that set out in note 6f above. Given the short-term duration of these assets and low risk of these assets, no impairment provision has been recognised.

For cash at bank and cash deposits and other receivables, the fair value approximates to the book value due to their short maturity.

6h. Other Assets

Insurance and other receivables

Continuing operations	**31 December 2020 £m**	31 December 2019 £m
Insurance receivables*1	**977.9**	948.9
Trade and other receivables	**179.0**	262.8
Prepayments and accrued income	**25.1**	16.0
Total insurance and other receivables	**1,182.0**	1,227.7

*1 Insurance receivables at 31 December 2020 include £70.5 million in respect of salvage and subrogation recoveries (2019: £71.7 million).

Insurance receivables

Insurance receivables are measured at historic cost. Given the short-term duration of these assets no bad debt provision has been recognised.

Trade and other receivables

Classification. Trade and other receivables are measured at amortised cost, being made up of multiple types of receivable balances.

Impairment. Where a provision is required for these receivables, it is calculated in line with the simplified method for trade receivables per IFRS 9, whereby lifetime expected credit losses are recognised irrelevant of the credit risk. In this case, the provision is based on a combination of

i. aged debtor analysis,
ii. historic experience of write-offs for each receivable,
iii. any specific indicators of credit deterioration observed, and
iv. management judgement.

The level of provision is immaterial.

The amortised cost carrying amount of receivables is a reasonable approximation of fair value.

Contract balances

The following table provides information about receivables and contract assets from contracts with customers. Both balances are included in Trade and other receivables.

Continuing operations	**31 December 2020 £m**	Re-presented 31 December 2019 £m
Receivables	**13.8**	22.0
Contract assets	**23.7**	24.8

The contract asset relates to the Group's right to consideration for work undertaken in the law companies on behalf of clients which is ongoing or where the final fee has not yet been billed. The contract asset is transferred to trade receivables once the fee has been billed.

Significant changes in the contract asset balance during the period are as follows:

Contract asset balance	**31 December 2020 £m**
At 1 January 2020	**24.8**
Revenue recognised	**25.5**
Transferred to trade receivables	**(27.8)**
Write-backs	**1.2**
At 31 December 2020	**23.7**

The amount of revenue recognised in 2020 from performance obligations satisfied (or partially satisfied) in previous periods in relation to the above contract balances is £nil (2019: £nil). See note 5c for details of profit commission recognised on previous underwriting years.

6i. Financial and lease liabilities

	31 December 2020			
	Subordinated Notes £m	Loan backed securities £m	Other borrowings and derivatives £m	Lease liabilities £m
Financial liability at the start of the period	**204.2**	**304.5**	**21.4**	**137.1**
Interest payable per Income Statement	11.1	6.2	1.6	2.6
Cashflows	(11.0)	(50.0)	(1.5)	(12.4)
Other FX and non cash movements	—	—	2.1	(0.4)

Transferred to assets associated with disposal group held for sale	—	—	—	(4.1)
Financial liability at the end of the period	**204.3**	**260.7**	**23.6**	**122.8**

	31 December 2019			
	Subordinated Notes £m	Loan backed securities £m	Other borrowings and derivatives £m	Lease liabilities £m
Financial liability at the start of the period	204.1	168.3	71.8	—
Recognition of lease liabilities under IFRS 16	—	—	—	149.2
Interest payable per Income Statement	11.4	—	—	3.2
Cashflows	(11.0)	136.2	(50.3)	(13.6)
Other FX and non-cash movements	(0.3)	—	(0.1)	(1.7)
Financial liability at the end of the period	204.2	304.5	21.4	137.1

Subordinated notes

Financial liabilities are inclusive of £200.0 million subordinated notes issued on 25 July 2014 at a fixed rate of 5.5% with a redemption date of 25 July 2024.

The notes are unsecured subordinated obligations of the Group and rank pari passu without any preference among themselves. In the event of a winding-up or bankruptcy, they are to be repaid only after the claims of all other creditors have been met.

There have been no defaults on any of the notes during the year. The Group has the option to defer interest payments on the notes but to date has not exercised this right.

The fair value of subordinated notes (level one valuation based on quoted prices in active markets) at 31 December 2020 is £222.9 million (2019: £225.1 million).

Other borrowings

The Group holds a credit facility of £20.0 million which expires in August 2021. £20.0 million was drawn under this agreement as at 31 December 2020 (2019: £20.0 million). The Group also hold a revolving credit facility of £200.0 million which expires in June 2021. As at 31 December 2020, £nil was drawn down on this facility (2019: £nil). Amounts drawn under their respective agreements are shown within other borrowings in the table above.

The carrying value is a reasonable approximation of fair value.

Loan backed securities

An asset backed senior loan note facility of £400.0 million has been established in relation to the Admiral Loans business (see note 3 for details of the accounting treatment of this SPE). As at the year end, £260.7 million (2019: £304.5 million) of this facility had been utilised.

The carrying value is a reasonable approximation of fair value.

Lease liabilities

The Group leases various properties, with rental contracts typically for fixed periods of 5 to 25 years although these may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Under IFRS 16, from 1 January 2019, for each lease a right-of-use asset and corresponding lease liability are recognised at the date at which the leased asset becomes available for use by the Group.

The lease liability is initially measured at the present value of remaining lease payments, which include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment, with similar terms and conditions. Generally, the Group uses its incremental borrowing rate as the discount rate.

Subsequently, lease payments are allocated to the lease liability, split between repayments of principal and interest. A finance cost is charged to the profit and loss so as to produce a constant period rate of interest on the remaining balance of the lease liability

7. Loans and Advances to Customers

7a. Accounting policies

Loans and advances to customers relate to the Admiral Loans business, consisting of unsecured personal loans and car finance products.

Classification

Loans and advances to customers are measured at amortised cost. This is because assets are held in order to collect contractual cash flows and the contractual terms of the financial asset demand cash inflows which are solely payments of principal and interest on the principal amount outstanding.

Interest income and expense

Interest income received in relation to loans and advances to customers is calculated using the effective interest method which allocates interest, direct and incremental fees and costs over the expected lives of the assets and liabilities. There has been no change in recognition of interest income from the comparative period.

Interest expense is calculated using the process appropriate to each source of funding, which is not linked to individual accounts.

Finance leases

Included within Loans and advances to customers are personal contract purchase (PCP) and hire purchase (HP) arrangements which are classified as finance leases under IFRS 16. A receivable equal to the net investment in the lease has been recognised. The net investment is equal to the gross investment in the lease discounted at the rate implicit in the lease.

Lease interest income is recognised within interest income in the income statement over the term of the lease using the effective interest method.

7b. Loans and advances to customers

	31 December 2020 £m	31 December 2019 £m
Loans and advances to customers – gross carrying amount	**401.8**	479.1
Loans and advances to customers – provision	**(42.0)**	(24.0)
Total loans and advances to customers	**359.8**	455.1

Loans and advances to customers are comprised of the following:

	31 December	31 December

	2020 £m	2019 £m
Unsecured personal loans	**371.3**	445.8
Finance leases	**30.5**	33.3
Total loans and advances to customers, gross	**401.8**	479.1

Fair value measurement

The loans and advances are recognised at fair value at the point of origination and then subsequently on an amortised cost basis. This is deemed a reasonable approximation of fair value.

Expected credit losses

The expected credit loss model is a three-stage model based on forward looking information regarding changes in the credit quality since origination. Credit risk is measured using a probability of default (PD), exposure at default (EAD) and loss given default (LGD) defined as follows:

- Probability of Default (PD): The likelihood of an account defaulting; calibrated through analysis of historic customer behaviour. Where customers have already met the definition of default this is 100%. For customers that are not in default the PD is determined through analysis of historic data at a credit grade level. A behavioural PD is then used after 6 months based on observed default rates by month on book and risk grade.
- Exposure at Default (EAD): The amount of balance at the time of default. For loans that are in arrears the EAD is taken as the current balance, for up to date loans the contractual outstanding balance in each future month is used.
- Loss Given Default (LGD): The amount of the asset not recovered following a borrower's default, determined through analysis of historic recovery performance.

The PD is applied to the EAD to calculate the expected loss excluding recoveries. Where customers are up-to-date the EAD is effectively the sum of the future month-end balances, as such the PD is converted from an annual rate to a monthly rate before applying it to the EAD. The LGD is then applied to this loss to calculate the total expected loss including recoveries. A forward-looking provision is also calculated, as set out later in this note.

Loan assets are segmented into three stages of credit impairment:

- Stage 1 – no significant increase in credit risk of the financial asset since inception;
- Stage 2 – significant increase in credit risk of the financial asset since inception;
- Stage 3 – financial asset is credit impaired.

For assets in stage 1, the allowance is calculated as the expected credit losses from events within 12 months after the reporting date. For assets in stages 2 and 3 the allowance is calculated as the expected credit loss from events in the remaining lifetime of each asset.

Significant increase in credit risk (SICR) (Stage 2)

As explained above, stage 1 assets have an ECL allowing for losses in the next twelve months, stage 2 or 3 assets have an ECL allowing for losses over the remaining lifetime of the contract. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS9 does not prescribe a definition of significant increase in credit risk (SICR) but does include a rebuttable presumption that this does occur for loan assets which are 30 days past due (which the Group does not rebut).

The Group has deemed a SICR to have occurred where:

- the loan is 1 to 3 loan payments in arrears, or
- the loan has been in arrears with the Group in the last six months, or
- the customer has a significant level of unsecured debt relative to the point of inception, or
- the risk grading score has fallen outside of current new business risk appetite, or

- the customer has made contact with the business to inform that they have been impacted by Covid-19.

Credit Impaired (Stage 3)

The Group does not rebut the presumption within IFRS9 that default has occurred when an exposure is greater than 90 days past due, which is consistent with a customer being 4 or more payments in arrears. In addition, a loan is deemed to be credit impaired where

a. there is an Individual Voluntary Arrangement ('IVA') agreement confirmed or proposed, or
b. customer has started or progressed bankruptcy action, or
c. a repayment plan is in place, or
d. customer is deceased.

Write off policy

Loans are written off where there is no reasonable expectation of recovery. The Group's policy is to write off balances to their estimated net realisable value. Write offs are actioned on a case by case basis taking into account the operational position and the collections strategy. Given the relative immaturity of the loans business, and considerations surrounding potential debt sales in the future, the Group has to-date operationally written off only a small proportion of the book.

Forward-looking information

Under IFRS9 the provision must reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The means by which the Group has determined this is to run scenario analyses.

Management judgment has been used to define the weighting and severity of the different scenarios based on available data without undue cost or effort.

The key economic driver of the losses from the scenarios is the likelihood of a customer entering hardship through unemployment. Unemployment forecasts include a risk grade split of PD based on the correlation between grade-level default rates observed relative to the change in unemployment rates in the previous downturn, adjusted for the unemployment forecast expected in the current economic environment.

The scenario weighting assumptions used are detailed below, along with the unemployment rate assumed in each scenario at 31 December 2020.

	31 December 2020 Scenario peak Unemployment rate	**31 December 2020 Weighting**	31 Decembe 201 Weightin
Base	**8.2%**	**40%**	50%
Upturn	**7.0%**	**5%**	25%
Downturn	**9.3%**	**25%**	20%
Severe	**10.7%**	**30%**	5%

The macro economic environment outlook has significantly altered since the prior year due to the Covid-19 pandemic and associated economic shock. This led to an overall increase in unemployment forecasts, with weightings skewed more towards downturn and severe scenarios.

In addition to unemployment, several customer characteristics including employment status, employment industry, debt levels and whether the customer has communicated to us an impact due to Covid-19 are considered. For each customer, the sensitivities from each characteristic are combined to determine an overall sensitivity.

Sensitivities to key areas of estimation uncertainty

The key areas of estimation uncertainty identified, as per note 3 to the financial statements, are in the PD and the forward-looking scenarios.

	31 December 2020 Weighting	31 December 2020 Sensitivity £m	31 December 2019 Weighting	31 Decembe 201 Sensitivit £r
Base	**40%**	**(2.0)**	50%	(1.7
Upturn	**5%**	**(4.9)**	25%	(2.9
Downturn	**25%**	**0.3**	20%	0.
Severe	**30%**	**3.2**	5%	28.

The sensitivities in the above tables show the variance to ECL that would be expected if the given scenario unfolded rather than the weighted position the provision is based on. At 31 December 2020 the implied weighted unemployment rate is 9.2%: the table shows that in a downturn scenario with a 9.3% unemployment rate the provision would increase by £0.3 million, whilst the upturn would reduce the provision by £4.9 million, base case reduce by £2.0 million and severe increase the provision by £3.2 million.

The sensitivity to the severe scenario has reduced year on year, but increased against the upturn scenario as the scenarios now have a narrower range, with a higher weighting towards the downturn and severe cases. This recalibration follows consideration of the Covid-19 pandemic and the resulting macro impact on unemployment.

Stage 1 assets represent 85% of the total loan assets; a 0.1% increase in the stage 1 PD, i.e. from 4.8% to 4.9%, would result in a £0.5 million (5%) increase in ECL.

Amounts arising from ECL: loans and advances to customers

The Group is exposed to credit risk from the Admiral Loans business.

The following table sets out information about the credit quality of the loans and advances to customers measured at amortised cost. Credit grades are used to segment customers by apparent credit risk at the time of acquisition. Higher grades are the lowest credit risk with each subsequent grade increasing in expected credit risk. The Group does not have any purchased or originated credit impaired (POCI) assets. These tables are inclusive of the finance lease assets which are held by the Group, further analysis of these balances can be found in note 7c.

All probability of defaults figures included in this paragraph allow for forward-looking information, i.e. the PDs are a weighted average from the economic scenarios considered. The average probability of default (PD) in for stage 1 assets is 4.8% (2019: 1.8%) reflecting the expectation of defaults within 12 months of the reporting date. The average PD for assets in stage 2 is 67.0% (2019: 58.7%) reflecting expected losses over the remaining life of the assets. The PD for assets in stage 3 is 100.0% (2019: 100.0%) as these assets are deemed to have defaulted.

				31 December 2020	31 December 2019
	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	**Total £m**	Total £m
Credit Grade[*2]					
Higher	251.8	17.8	—	**269.6**	337.1
Medium	77.3	16.8	—	**94.1**	114.7
Lower	14.1	2.9	—	**17.0**	10.9
Credit Impaired	—	—	21.1	**21.1**	16.4
Gross carrying amount	**343.2**	**37.5**	**21.1**	**401.8**	479.1
Expected credit loss allowance	(10.9)	(12.7)	(17.9)	**(41.5)**	(23.4)
Other loss allowance[*1]	(0.5)	—	—	**(0.5)**	(0.6)
Carrying amount	**331.8**	**24.8**	**3.2**	**359.8**	455.1

*1 Other loss allowance covers losses due to a reduction in current or future vehicle value or costs associated with recovery and sale of vehicles.

- Credit grade is the internal credit banding given to a customer at origination. This is based on external credit rating information.

The following tables reconcile the opening and closing gross carrying amount and expected credit loss allowance.

2020	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total £m
Gross carrying amount as at 1 January 2020	**456.2**	**6.5**	**16.4**	**479.1**
Transfers				
Transfers from Stage 1 to Stage 2	(26.5)	26.5	—	—
Transfers from Stage 1 to Stage 3	(9.5)	—	9.5	—
Transfers from Stage 2 to Stage 1	0.8	(0.8)	—	—
Transfers from Stage 2 to Stage 3	—	(2.6)	2.6	—
Transfers from Stage 3 to Stage 1	—	—	—	—
Transfers from Stage 3 to Stage 2	—	—	—	—
Principal redemption payments	(180.0)	(1.3)	(1.6)	(182.9)
Write offs	—	—	(7.7)	(7.7)
New financial assets originated or purchased	102.2	9.2	1.9	113.3
Gross carrying amount as at 31 December 2020	**343.2**	**37.5**	**21.1**	**401.8**

2019	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total £m
Gross carrying amount as at 1 January 2019	**296.9**	**8.9**	**4.6**	**310.4**
Transfers				
Transfers from Stage 1 to Stage 2	(4.5)	4.5	—	—
Transfers from Stage 1 to Stage 3	(8.2)	—	8.2	—
Transfers from Stage 2 to Stage 1	2.4	(2.4)	-	—
Transfers from Stage 2 to Stage 3	—	(2.7)	2.7	—
Transfers from Stage 3 to Stage 1	—	—	—	—
Transfers from Stage 3 to Stage 2	—	—	—	—
Principal redemption payments	(124.9)	(4.5)	(0.8)	(130.2)
Write-offs	—	—	(0.5)	(0.5)
New financial assets originated or purchased	294.5	2.7	2.2	299.4
Gross carrying amount as at 31 December 2019	**456.2**	**6.5**	**16.4**	**479.1**

2020	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total
Expected credit loss allowance as at 1 January 2020	**5.6**	**3.4**	**14.4**	**23.4**
Movements with a profit and loss impact				
Transfers				
Transfers from Stage 1 to Stage 2	(0.7)	1.1	—	0.4
Transfers from Stage 1 to Stage 3	(0.2)	—	0.4	0.2
Transfers from Stage 2 to Stage 1	0.2	(0.4)	—	(0.2)
Transfers from Stage 3 to Stage 1	0.1	—	(0.1)	—
Changes in PDs/ LGDs/ EADs	2.4	5.2	9.3	16.9
New financial assets originated or purchased	3.5	3.4	1.6	8.5
Total net profit and loss charge in the period	**5.3**	**9.3**	**11.2**	**25.8**
Write-offs	—	—	(7.7)	(7.7)
Expected credit loss allowance as at 31 December 2020	**10.9**	**12.7**	**17.9**	**41.5**
Other movements with no profit and loss impact				
Transfers				
Transfers from Stage 2 to Stage 3	—	(2.4)	2.4	—
Transfers from Stage 3 to Stage 2	—	0.1	(0.1)	—

2019	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total
Expected credit loss allowance as at 1 January 2019	**4.4**	**1.4**	**4.1**	**9.9**
Movements with a profit and loss impact				
Transfers				
Transfers from Stage 1 to Stage 2	(0.1)	0.2	—	0.1
Transfers from Stage 1 to Stage 3	(0.3)	—	0.5	0.2
Transfers from Stage 2 to Stage 1	0.1	(0.2)	—	(0.1)
Transfers from Stage 3 to Stage 1	—	—	—	—
Changes in PDs/ LGDs/ EADs	(1.8)	0.8	7.9	6.9
New financial assets originated or purchased	3.3	1.2	1.9	6.4
Total net profit and loss charge in the period	**1.2**	**2.0**	**10.3**	**13.5**
Expected credit loss allowance as at 31 December 2019	**5.6**	**3.4**	**14.4**	**23.4**
Other movements with no profit and loss impact				
Transfers				

Transfers from Stage 2 to Stage 3	—	(1.0)	1.0	—
Transfers from Stage 3 to Stage 2	—	—	—	—
Write-offs	—	—	(0.5)	(0.5)

7c. Finance lease receivables

Loans and advances to customers include the following finance leases. The group is the lessor for leases of cars.

	31 December 2020 £m	31 December 2019 £m
Gross investment in finance leases, receivable		
Less than 1 year	**8.4**	8.1
Between 1 to 5 years	**24.9**	28.9
More than 5 years	**—**	—
	33.3	37.0
Unearned finance income	**(3.3)**	(4.2)
Net investment in lease receivables	**30.0**	32.8
Less impairment allowance	**(0.8)**	(0.4)
	29.2	32.4
Net investment in finance leases, receivable		
Less than 1 year	**6.7**	6.2
Between 1 to 5 years	**23.3**	26.6
More than 5 years	**—**	—
	30.0	32.8

The net investment in finance leases shown above is net of the unguaranteed residual value of £0.5 million (2019: £0.5 million).

7d. Interest Income

	31 December 2020 £m	31 December 2019 £m
Loans and advances to customers	**36.8**	30.8
	36.8	30.8

Interest receivable on loans and advances to customers is recognised in the Income Statement using the effective interest method, which calculates the amortised cost of the financial asset and allocates the interest income over the expected product life.

7e. Interest expense

	31 December 2020 £m	31 December 2019 £m
Interest payable on loan backed securities	**6.2**	5.6
Interest payable on other credit facilities	**1.0**	0.7
Total interest expense*1	**7.2**	6.3

*1 Interest paid in total during the year was £5.2 million (2019: £6.3 million)

Interest expense represents the interest payable on loan backed securities through an SPE of £400.0 million (2019: £400.0 million) of which £260.7 million was drawn down at 31 December 2020 (2019: £304.5 million), and funding specifically allocated to the Admiral Loans business, in the form of credit facilities of £120.0 million (2019: £120.0 million) of which £20.0 million was drawn down at 31 December 2020 (2019: £20.0 million). Admiral Group also has a further credit facility of £100.0 million (2019: £100.0 million) of which £nil was drawn down at 31 December 2020 (2019: £nil).

8. Other Revenue

8a. Accounting policy

(i) Contribution from additional products and fees and Other Revenue

Revenue is credited to the income statement over the period matching the Group's obligations to provide services. Where the Group has no remaining obligations, the revenue is recognised immediately. An allowance is made for expected cancellations where the customer may be entitled to a refund of amounts charged.

Commission from the provision of insurance intermediary services is credited to revenue on the sale of the underlying insurance policy.

There has been no change in revenue recognition from the comparative period.

(ii) Nature of goods and services

The following is a description of the principle activities within the scope of IFRS 15 from which the Group generates its other revenue.

Products and services	**Nature, timing of satisfaction of performance obligations and significant payment terms**
Comparison	The performance obligation is the provision of insurance intermediary services, at which point the performance obligation is met. Revenue is therefore recognised at a point in time.
Fee and commission revenue: Commission on underlying products	The performance obligation is the provision of insurance intermediary services, at which point the performance obligation is met. Revenue is therefore recognised at a point in time. Payment of the commission is due within 30 days of the period close.
Fee and commission revenue: Administration fees	The performance obligation is the change requested being made to the underlying policy, at which point the performance obligation is met. Revenue is therefore recognised at a point in time and is collected immediately or in line with direct debit instalments.
Revenue from law firm	The performance obligation is the pursuit of the compensation from the other side's insurer on behalf of the customer. Once the case is settled the performance obligation is fully satisfied. Revenue is therefore recognised over time using the expected value method. This method values revenue by multiplying hours incurred on open cases by a 12-month realisable rate. The realisable rate is a probability weighted transaction price based on settled cases. The expected value method therefore results in revenue recognised being constrained to that where there is a high probability of no significant reversal. Revenue is recognised over time because as the Group has an enforceable right to payment for performance completed to date and the work performed to date has no alternative use to the Group A contract asset is recognised equal to the work performed up to the balance sheet date but not yet billed. Refer to note 6g for further detail of this balance. Payment is due within 28 days of invoice.
Profit commission from co-insurers	The Group's profit commission revenue falling within the scope of IFRS 15, 'Revenue from Contracts with Customers' relates to a contractual arrangement between the Group's insurance intermediary EUI Limited, and a third party (external to the Group) co-insurer (Great Lakes) underwriting a share of the UK Car Insurance business generated by EUI Limited. The variable consideration, being the profit commission recognised in respect of each underwriting year at the end of each reporting period, is recognised at a point in time, and calculated based on a number of detailed inputs, the most material of which are as follows: • Premiums, defined as gross premiums ceded including any instalment income, less reinsurance premium (for excess of loss reinsurance); • Insurance expenses incurred; • Claims ratio (more typically referred to as a loss ratio)

	Whilst the premiums and insurance expenses related to an underwriting year are typically fixed at the conclusion of each underwriting year and are not subject to judgement, the claims ratio is calculated from the underwriting year loss ratios that result from the setting of claims reserves in the financial statements meaning it is subject to inherent uncertainty. As stated in note 5d, Admiral's reserving policy is initially to reserve conservatively, above internal and independent projections of actuarial best estimates. This is designed to create a margin held in reserves to allow for unforeseen adverse development in open claims. Admiral's financial statement loss ratios, used in the calculation of profit commission income, continue to include a significant margin above projected best estimates of ultimate claims costs. It is this margin for uncertainty, included in the financial statement loss ratios, which creates the constraint over the recognition of the variable consideration, as using the booked loss ratio rather than the actuarial best estimate constrains the profit commission income to a level where there is a high probability of no significant reversal of the revenue recognised. The key methods, inputs and assumptions used to estimate the variable consideration of profit commission are therefore in line with those used for the calculation of claims liabilities, as set out in note 3 to the financial statements, with further detail also included in note 5. There are no further critical accounting estimates or judgements in relation to the recognition of profit commission.

Instalment income on insurance premium paid via instalments is using the effective interest rate, and as such is not within the scope of IFRS 15. Profit commission from reinsurers is within the scope of IFRS 4, and not within the scope of IFRS 15 *Revenue from Contracts with Customers* due to the nature of the income.

8b. Disaggregation of revenue

In the following tables, other revenue is disaggregated by major products/service lines and timing of revenue recognition. The total revenue disclosed in the table of £625.3 million (2019: £584.8 million) represents total other revenue and profit commission and is disaggregated into the segments included in note 4.

	Year ended 31 December 2020						
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	**Total (continuing) £m**	Comparison (discontinued)[*2] £m	**Total £m**
Major products/ service line							
Comparison[*1]	—	—	—	5.9	**5.9**	161.9	**167.8**
Instalment income	102.4	4.0	—	—	**106.4**	—	**106.4**
Fee and commission revenue	155.3	21.8	1.6	—	**178.7**	—	**178.7**
Revenue from law firm	26.7	—	—	—	**26.7**	—	**26.7**
Other	11.1	—	—	0.6	**11.7**	—	**11.7**
Total other revenue	295.5	25.8	1.6	6.5	**329.4**	161.9	**491.3**
Profit commission	132.4	1.6	—	—	**134.0**	—	**134.0**
Total other revenue and profit commission	427.9	27.4	1.6	6.5	**463.4**	161.9	**625.3**
Timing of revenue recognition							
Point in time	267.1	21.8	1.6	6.5	**297.0**	161.9	**458.9**
Over time	28.4	—	—	—	**28.4**	—	**28.4**
Revenue outside the scope of IFRS 15	132.4	5.6	—	—	**138.0**	—	**138.0**
	427.9	27.4	1.6	6.5	**463.4**	161.9	**625.3**

	Re-presented Year ended 31 December 2019						
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	**Total (continuing) £m**	Discontinued (Comparison)[*2] £m	**Total £m**
Major products/ service line							
Comparison[*1]	—	—	—	6.6	**6.6**	145.6	**152.2**
Instalment income	85.3	2.9	—	—	**88.2**	—	**88.2**
Fee and commission revenue	162.0	18.7	1.9	—	**182.6**	—	**182.6**
Revenue from law firms	32.9	—	—	—	**32.9**	—	**32.9**
Other	13.4	—	—	0.6	**14.0**	—	**14.0**

Total other revenue	293.6	21.6	1.9	7.2	**324.3**	145.6	**469.9**
Profit commission	114.0	0.9	—	—	**114.9**	—	**114.9**
Total other revenue and profit commission	407.6	22.5	1.9	7.2	**439.2**	145.6	**584.8**
Timing of revenue recognition							
Point in time	267.8	18.7	1.9	7.2	**295.6**	145.6	**441.2**
Over time	35.9	—	—	—	**35.9**	—	**35.9**
Revenue outside the scope of IFRS 15	103.9	3.8	—	—	**107.7**	—	**107.7**
	407.6	22.5	1.9	7.2	**439.2**	145.6	**584.8**

- Comparison revenue excludes £22.2 million (31 December 2019: £19.4 million) of income from other Group companies, including £22.0 million (2019: £18.7 million) from discontinued operations.
- See note 13 for further detail on discontinued operations.

Instalment income is recognised applying the effective interest rate over the term of the policy, and is outside the scope of IFRS 15. Profit commission from reinsurers is recognised under IFRS 4, and is discussed further in note 5 to the financial statements.

9. Expenses

9a. Accounting policies

(i) Acquisition costs and operating expenses

Acquisition costs incurred in obtaining new and renewal business are charged to the income statement over the period in which those premiums are earned. All other operating expenses are charged to the income statement in the period that they are incurred.

(ii) Employee benefits

As detailed in the Remuneration Committee Report, the key elements of employee remuneration are:

- Base salaries and pension contributions
- Share based incentive plans
- A discretionary bonus, (the 'DFSS Bonus'), rather than an annual cash bonus, that is directly linked to the number of DFSS awards held and actual dividends paid out to shareholders.

Within note 9b, the charges for base salaries and pension contributions (and the related social security costs) are recognised within insurance contract expenses or administration and other marketing costs, based on the role of the employee.

Charges for the share based incentive plans (and related social security costs) and discretionary bonus are included within "share scheme charges". These charges are not shown as part of the result for each reportable segment, or within the expense ratio, due to them being materially comprised of an accounting charge in line with IFRS 2 'Share based payments' which does not result in a cash payment to employees but instead results in a dilution of shares.

The rules of the share schemes ensure that the actual dilution level does not exceed 10% in any rolling ten-year period, by funding of any vested (and future) DFSS and SIP awards as appropriate with market-purchased shares. This corresponds to approximately a 1% dilution of share capital each year.

Base salaries and pension contributions

Base salaries and the related employer social security costs are charged to the income statement in the period that they are incurred.

The Group contributes to defined contribution personal pension plans for its employees. The contributions payable to these schemes are charged in the accounting period to which they relate.

Share based incentive plans and related social security costs

The Group operates a number of equity and cash settled compensation schemes for its employees, the main ones being:

- a Share Incentive Plan ('SIP'), which is in place for all UK employees encouraging wide share ownership across employees, and
- the Discretionary Free Share Scheme ('DFSS'). DFSS shares are typically awarded to managers, and for the majority of employees 50% of the DFSS shares awarded are subject to three performance conditions being Earnings per Share growth, Return on Equity and Total Shareholder Return vs. the FTSE 350 (excluding investment companies) over a three-year period.

For both schemes, employees must remain in employment three years after the award date (i.e. at the vesting date), otherwise the shares are forfeited.

The majority of these schemes are classed as equity settled under IFRS 2, due to the employees receiving shares (rather than cash) as consideration for the services provided.

For equity settled schemes, the charge, which reflects the fair value of the employee services received in exchange for the grant of the free shares, is recognised as an expense, with a corresponding increase in equity, as shown in Consolidated statement of changes in equity (2020: £53.8 million; 2019: £58.8 million).

For the cash settled schemes, the expense recognised for the fair value of services received results in a corresponding increase in liabilities.

The key drivers and assumptions used to calculate the charge for the schemes over the three year vesting period are:

- the number of shares awarded, which is set at the start of each scheme. Details of the number of shares awarded for each scheme where shares remain unvested is set out in note 9f(ii)
- the fair value of the shares
  - For the SIP, the fair value of the shares awarded is the share price at the award date. Awards under the SIP are entitled to receive dividends, and hence no adjustment is made to this fair value.
  - For the DFSS equity settled awards, awards are not eligible for dividends, although a discretionary bonus is currently paid equivalent to the dividend that would have been paid on the shareholding, hence the fair value of the shares is revised downwards to take account of these expected dividends.
  - For the DFSS cash settled awards, the fair value is based on the share price at the vesting date. The closing share price at the end of each reporting period is used as an approximation for the closing price at the end of the vesting period.

- staff attrition rates, which impact the ultimate number of shares that vest.
- in the case of the DFSS, the vesting rates based on the performance conditions, which also impact the ultimate number of shares that vest.

The number of shares that have ultimately vested compared to those originally awarded is set out in note 9f(iii).

At each balance sheet date, the Group revises its assumptions on the number of shares which will ultimately vest based on the latest forecast information for attrition rates and, for the DFSS, the extent to which the performance conditions are met.

The financial impact as a result of any change in the assumptions is recognised through the income statement. Any significant changes in assumptions may therefore result in an increased/ decreased charge in an accounting period as a result of this true-up of the expected cumulative charge required.

Social security costs on share-based incentive plans

Social security costs are incurred by the Group in respect of the share-based incentive plans, with the expense recognised over the vesting period for each share scheme. For the SIP, these costs are paid when the employees sell the shares after vesting (typically 3-5 years after the grant date). For the DFSS, the costs are paid immediately upon vesting.

The total social security costs are calculated based on the following:

- The taxable value of the shares, being:
  - For the SIP, the lower of the share price at award date and the share price at the balance sheet date
  - For the DFSS, the share price at the balance sheet date;
- the number of shares expected to vest for each scheme, driven by the number of shares awarded, attrition rates and, for the DFSS, the vesting rate based on performance conditions;
- the appropriate social security rate.

These assumptions are updated at the end of each reporting period. The financial impact as a result of any change in the assumptions is recognised through the income statement. Any significant changes in assumptions may therefore result in an increased/ decreased charge in an accounting period as a result of this true-up of the expected cumulative charge required.

Discretionary bonus on shares allocated but unvested

The cost of the DFSS bonus is recognised and paid in each period equivalent to the dividends on shares allocated to employees that are still entitled to vest, but have not yet vested. The cost shown also includes the social security costs on the discretionary bonus. No accrual is made for future discretionary bonus payments due to there being no contractual obligation for such a bonus at the balance sheet date.

9b. Operating expenses and share scheme charges

	31 December 2020		
Continuing operations	**Gross £m**	**Recoverable from co- and reinsurers £m**	**Net £m**
Acquisition of insurance contracts	**166.2**	**(106.8)**	**59.4**
Administration and other marketing costs (insurance contracts)	**437.4**	**(321.0)**	**116.4**
Insurance contract expenses	**603.6**	**(427.8)**	**175.8**
Administration and other marketing costs (other)	**131.3**	**—**	**131.3**
Share scheme charges	**79.7**	**(28.8)**	**50.9**
Movement in expected credit loss provision	**33.6**	**—**	**33.6**
Total expenses and share scheme charges – continuing operations	**848.2**	**(456.6)**	**391.6**

	Re-presented 31 December 2019		
Continuing operations	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts*1	156.7	(104.9)	51.8
Administration and other marketing costs (insurance contracts)	398.8	(307.2)	91.6
Insurance contract expenses	555.5	(412.1)	143.4
Administration and other marketing costs (other)	125.2	—	125.2
Share scheme charges	78.2	(29.1)	49.1
Movement in expected credit loss provision	14.2	—	14.2
Total expenses and share scheme charges – continuing operations	**773.1**	**(441.2)**	**331.9**

*1 Acquisition of insurance contracts expense excludes £0.2 million (2019: £0.7 million) of aggregator fees from other Group companies.

The £116.4 million (2019: £91.6 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs:

Continuing operations	31 December 2020 £m	Re-presented 31 December 2019 £m
Expenses relating to additional products and fees	**80.6**	70.1
Loans expenses (excluding movement on ECL provision)	**16.8**	18.5
Other expenses	**33.9**	36.6
Total (continuing operations)	**131.3**	125.2

Refer to note 14 for a reconciliation between insurance contract expenses and the reported expense ratio.

9c. Staff costs and other expenses

	31 December 2020		Re-presented 31 December 2019	
Continuing operations	**Total £m**	**Net £m**	Total £m	Net £m
Salaries	**298.8**	**100.1**	271.9	88.9
Social security charges	**32.6**	**11.6**	27.8	9.7
Pension costs	**16.2**	**5.4**	13.0	4.2
Share scheme charges (see note 9f)	**79.7**	**50.6**	78.2	49.1
Total staff expenses	**427.3**	**167.7**	390.9	151.9
Depreciation charge:				
– Owned assets	**12.0**	**3.0**	11.2	3.3
– ROU assets	**10.0**	**2.9**	11.1	3.7
Amortisation charge:				
– Software	**19.1**	**5.6**	17.2	5.1
– Deferred acquisition costs	**188.4**	**59.0**	158.5	52.8
Auditor’s remuneration (including VAT) (total Group):				
– Fees payable for the audit of the Company’s annual accounts	**0.1**	**0.1**	0.1	0.1
– Fees payable for the audit of the Company’s subsidiary accounts	**1.2**	**0.6**	0.9	0.8
– Fees payable for audit related assurance services pursuant to legislation or regulation	**0.5**	**—**	0.4	—

£8,880 (inclusive of VAT) (2019: £32,380) was payable to the auditor for other services in the year.

Total and net expenses are before and after co- and reinsurance arrangements respectively.

Refer to the Corporate Governance Report for details of the Audit Committee’s policy on fees paid to the Company’s auditor for non-audit services. Audit fees are 70% (2019: 66%) of total fees and 30% (2019: 31%) of total fees are for non-audit services, which are classed as audit related assurance services under the FRC rules on non-audit services.

The amortisation of software and deferred acquisition cost assets is charged to expenses in the income statement.

9d. Staff numbers (including Directors)

	Average for the year	
	2020 Number	2019 Number
Direct customer contact staff	**7,278**	7,319
Support staff	**3,559**	3,510
Total	**10,837**	10,829

9e. Directors’ remuneration

(i) Directors’ remuneration

	31 December	31 December

	2020 £m	2019 £m
Directors' emoluments	**2.1**	1.7
Amounts receivable under SIP and DFSS share schemes	**2.7**	1.2
Company contributions to money purchase pension plans	—	—
Total	**4.8**	2.9

(ii) Number of Directors

	2020 Number	2019 Number
Retirement benefits are accruing to the following number of Directors under:		
– Money purchase schemes	**3**	1

9f. Staff share schemes

Total share scheme costs for the Group, including discontinued operations share scheme costs of £3.1 million (2019: £4.3 million) are analysed below:

					31 December 202	
	SIP charge (i)		DFSS charge (ii)		Total charg	
	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Ne £n
IFRS 2 charge for equity settled share schemes	18.0	12.4	35.8	23.3	**53.8**	**35.**
IFRS 2 charge for cash settled share schemes	—	—	4.2	2.5	**4.2**	**2.**
Total IFRS 2 charge	18.0	12.4	40.0	25.8	**58.0**	**38.**
Social security costs on IFRS 2 charge	1.6	1.0	8.7	5.9	**10.3**	**6.**
Discretionary bonus on shares allocated but unvested	—	—	14.5	8.9	**14.5**	**8.**
Total share scheme charges	19.6	13.4	63.2	40.6	**82.8**	**54.**

					31 December 201	
	SIP charge (i)		DFSS charge (ii)		Total charg	
	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Ne £n
IFRS 2 charge for equity settled share schemes	17.3	11.9	41.5	26.5	**58.8**	**38.**
IFRS 2 charge for cash settled share schemes	—	—	1.9	1.0	**1.9**	**1.**
Total IFRS 2 charge	17.3	11.9	43.4	27.5	**60.7**	**39.**
Social security costs	1.6	1.2	7.1	4.8	**8.7**	**6.**
Discretionary bonus on shares allocated but unvested	—	—	13.1	8.0	**13.1**	**8.**
Total share scheme charges	18.9	13.1	63.6	40.3	**82.5**	**53.**

Net share scheme charges are presented after allocations to co-insurers (in the UK and Italy) and reinsurers (in the International Insurance businesses). The proportion of net to gross share scheme charges would be expected to be consistent in each period, at approximately 65%.

	Financial year ended 31 December				
Analysis of gross cost	2017 and prior £m	2018 £m	2019 £m	2020 £m	Total cumulative charge to date £m
Year of share scheme - SIP					
2015	11.6	2.0	—	—	**13.6**
2016	8.2	5.4	2.1	—	**15.7**
2017	3.3	5.5	5.5	**2.4**	**16.7**
2018[*1]	—	3.5	6.1	**6.1**	**15.7**
2019[*1]	—	—	3.6	**6.2**	**9.8**
2020[*1]	—	—	—	**3.3**	**3.3**
Gross IFRS 2 costs – SIP		16.4	17.3	**18.0**	
Year of share scheme - DFSS					
2015	19.0	7.0	—	—	**26.0**
2016	18.6	17.0	9.8	—	**45.4**
2017	3.6	13.0	14.5	**6.7**	**37.8**
2018[*2]	—	3.9	15.6	**17.4**	**36.9**
2019[*2]	—	—	3.5	**11.1**	**14.6**
2020[*2]	—	—	—	**4.8**	**4.8**
Gross IFRS 2 costs - DFSS		40.9	43.4	**40.0**	
Total IFRS 2 costs		57.3	60.7	**58.0**	

*1 Awards are made in March and September of each year, and vest over 36 months from award date. On the 2018 scheme, an average of 5 months' charge remains outstanding, on the 2019 scheme an average of 17 months' charge remains outstanding, and on the 2020 schemes an average of 29 months' charge remains outstanding.

*2 The main award is made in September of each year, with smaller awards made at other points through the year. The shares vest over 36 months from award date. On the 2018 main DFSS, 9 months' charge remains outstanding; on the 2019 main DFSS 21 months' charge remains outstanding, and on the 2020 main DFSS, 33 months' charge remains outstanding.

(i) The Approved Share Incentive Plan (the SIP)

Eligible UK based employees qualify for awards under the SIP based upon the performance of the Group in each half-year period. The maximum award for each year is £3,600 per employee and the maximum number of shares that can vest relating to the 2020 schemes is 982,643 (2019 schemes: 1,113,496; 2018 schemes: 1,192,302).

The awards are made at the discretion of the Remuneration Committee, taking into account the Group's performance.

(ii) The Discretionary Free Share Scheme (the DFSS)

Under the DFSS, details of which are contained in the remuneration policy section of the Directors' Remuneration Report, individuals receive an award of free shares at no charge.

The maximum number of shares that can vest relating to the 2020 schemes is 2,795,261 (2019 scheme: 2,637,196; 2018 schemes: 3,373,948).

The vesting percentage for most employees for the 2017 DFSS scheme which vested during 2020 was 94.4% (2016 DFSS scheme: 93.8%).

(ii) ***Number of free share awards committed at 31 December 2020***

	Awards outstanding*1
SIP 2018*2	1,192,302
SIP 2019*2	1,113,496
SIP 2020*2	982,643
DFSS 2018*3	3,373,948
DFSS 2019*3	2,637,196
DFSS 2020*3	2,795,261
Total awards committed	12,094,846

*1 Being the maximum number of awards committed before accounting for expected staff attrition and vesting conditions

*2 Shares are awarded in March and September of each year, and vest three years later

*3 The main award is made in September of each year, with smaller awards made at other points through the year

(iii) Number of free share awards vesting during the year ended 31 December 2020

During the year ended 31 December 2020, awards under the SIP H117 and H217 schemes and the DFSS 2017 schemes vested. The total number of awards vesting for each scheme is as follows.

	Original awards	Awards vested
SIP 2017 schemes	1,067,291	841,940
DFSS 2017 schemes	3,205,449	2,627,669

The difference between the original and vested awards reflects employee attrition (SIP schemes) and both employee attrition and the vesting outcomes based on performance conditions noted above (DFSS schemes).

The weighted average fair value of the shares granted in the year was £23.13 (2019: £18.96).

The weighted average market share price at the date of exercise for shares exercised during the year was £25.60 (2019: £21.06).

10. Taxation

10a. Accounting policy

Income tax on the profit or loss for the periods presented comprises current and deferred tax.

(i) Current tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted by the balance sheet date, and includes any adjustment to tax payable in respect of previous periods.

Current tax related to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

(ii) Deferred tax

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for accounting purposes and the amounts used for taxation purposes.

Deferred tax is calculated at the tax rates that have been enacted or substantially enacted by the balance sheet date and that are expected to apply in the period when the liability is settled or the asset is realised.

The principal temporary differences arise from carried forward losses, depreciation of property and equipment and share scheme charges. The resulting deferred tax is charged or credited in the income statement, except in relation to share scheme charges where the amount of tax benefit credited to the income statement is limited to an equivalent credit calculated on the accounting charge. Any excess is recognised directly in equity.

Deferred tax assets relating to carried forward losses are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The probability of the availability of future taxable profits is determined by a combination of the classification of the status of the businesses holding cumulative tax losses and the business plan profit projections for that business, subject to appropriate stress testing.

10b. Taxation

Continuing operations	**31 December 2020 £m**	31 December 2019 £m
Current tax		
Corporation tax on profits for the year	**101.6**	87.1
Under-provision relating to prior periods	**0.6**	(0.3)
Current tax charge	**102.2**	86.8
Deferred tax		
Current period deferred taxation movement	**4.0**	2.8
(Over) provision relating to prior periods	—	(0.4)
Total tax charge per consolidated income statement	**106.2**	89.2

Factors affecting the total tax charge are:

Continuing operations	**31 December 2020 £m**	31 December 2019 £m
Profit before tax	**608.2**	505.1
Corporation tax thereon at effective UK corporation tax rate of 19.0% (2018: 19.0%)	**115.5**	96.0

Expenses and provisions not deductible for tax purposes	**0.7**	1.8
Non-taxable income	**(10.5)**	(4.9)
Impact of change in UK tax rate on deferred tax balances	**0.4**	0.3
Adjustments relating to prior periods	**0.6**	(0.7)
Impact of different overseas tax rates	**(1.6)**	(9.0)
Unrecognised deferred tax	**1.1**	5.7
Total tax charge for the period as above	**106.2**	89.2

The corporation tax receivable for continuing operations as at 31 December 2020 was £22.9 million (2019: £48.3 million payable). See note 13 for details of the corporation tax charge on discontinued operations, and the related corporation tax balance at 31 December 2020.

10c. Deferred income tax asset/(liability)

Analysis of deferred tax asset/ (liability)

	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Fair value reserve £m	Other differences £m	Total £m
Balance brought forward at 1 January 2019	**7.2**	**(3.6)**	—	**(3.9)**	**0.5**	**0.2**
Tax treatment of share scheme charges through income or expense	(4.6)	—	—	—	—	(4.6)
Tax treatment of share scheme charges through reserves	3.3	—	—	—	—	3.3
Capital allowances	—	1.5	—	—	—	1.5
Carried forward losses	—	—	—	—	—	—
Movement in fair value reserve	—	—	—	(1.5)	—	(1.5)
Other difference	—	—	—	—	0.7	0.7
Balance carried forward at 31 December 2019	**5.9**	**(2.1)**	—	**(5.4)**	**1.2**	**(0.4)**
Tax treatment of share scheme charges through income or expense	(3.2)	—	—	—	—	(3.2)
Tax treatment of share scheme charges through reserves	6.6	—	—	—	—	6.6
Capital allowances	—	0.7	—	—	—	0.7
Carried forward losses	—	—	2.9	—	—	2.9
Movement in fair value reserve	—	—	—	(1.8)	—	(1.8)
Transferred to disposal group held for sale	(0.5)	(0.3)	(2.9)	—	(0.5)	(4.2)
Other difference	—	—	—	—	(1.5)	(1.5)
Balance carried forward at 31 December 2020	**8.8**	**(1.7)**	—	**(7.2)**	**(0.8)**	**(0.9)**

Positive amounts presented above relate to a deferred tax asset position.

The average effective rate of tax for 2020 is 19.0% (2019: 19.0%). An increase to the main rate of corporation tax in the UK to 25% was announced in the 2021 Budget, and is expected to come into effect in 2023. This will increase the Group’s future tax charge accordingly.

The deferred tax asset in relation to carried forward losses (for continuing operations) remains at £nil at the year end (2019: £nil) due to uncertainty over the availability of future taxable profits against which to offset utilise any deferred tax asset.

At 31 December 2020 the Group had unused tax losses amounting to £236.8 million (2019: £231.3 million), relating primarily to the Group’s US businesses Elephant Auto and compare.com, for which no deferred tax asset has been recognised. The earliest expiry date for any of these tax losses is 2029. The total aggregated unrecognised deferred tax liabilities on temporary differences associated with subsidiaries is £nil (2019: £nil).

11. Other assets and other liabilities

11a. Accounting policy

(i) Property and equipment, and depreciation

All property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight line method to write off the cost less residual values of the assets over their useful economic lives. These useful economic lives are as follows:

Improvements to short leasehold buildings	–	four to ten years
Computer equipment	–	two to four years
Office equipment	–	four years
Furniture and fittings	–	four years
Motor vehicles	–	four years
Right-of-use assets	–	two – twenty years, aligned to lease agreement

In line with IFRS 16, and as set out further in note 6i to the financial statements, a right-of-use asset has been established in relation the Group's lease arrangements.

The right-of-use asset is measured at cost, which comprises the following:

- the amount of the initial measurement of lease liability (see notes 2 and 6h to the financial statements)
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is subsequently depreciated over the shorter of the lease term and the asset's useful life on a straight-line basis.

The Group does not have any significant leases which qualify for the short-term leases or leases of low-value assets exemption.

(ii) Impairment of property and equipment

In the case of property and equipment, carrying values are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated and compared to the carrying value. The carrying value is the higher of the fair value of the asset, less costs to sell and the asset's value in use. Impairment losses are recognised through the income statement.

(iv) Intangible assets

Goodwill

All business combinations are accounted for using the acquisition method. Goodwill has been recognised in acquisitions of subsidiaries, and represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

The classification and accounting treatment of acquisitions occurring before 1 January 2004 have not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004 due to the exemption available in IFRS 1 (First time adoption). In respect of acquisitions prior to 1 January 2004, goodwill is included at the transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP, which was tested for impairment at the transition date. On transition, amortisation of goodwill has ceased as required by IAS 38.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) according to business segment and is reviewed annually for impairment.

The goodwill held on the balance sheet at 31 December 2020 and 2019 is allocated solely to the UK Insurance segment.

Impairment of goodwill

The annual impairment review involves comparing the carrying amount to the estimated recoverable amount (by allocating the goodwill to CGUs) and recognising an impairment loss if the recoverable amount is lower. Impairment losses are recognised through the income statement and are not subsequently reversed.

The recoverable amount is the greater of the fair value of the asset less costs to sell and the value in use of the CGU.

The value in use calculations use cash flow projections based on financial budgets approved by management covering a period of up to three years. Cash flows beyond this period are considered, but not included in the calculation.

The key assumptions used in the value in use calculations are those regarding revenue growth, along with expected changes in pricing and expenses incurred during the forecast period. Management estimates revenue growth rates and changes in pricing based on past practices and expected future changes in the market.

The headroom above the goodwill carrying value is very significant, and there is no foreseeable event that would eliminate this margin.

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred that correspond to the unearned premiums provision at the balance sheet date. This balance is held as an intangible asset. It is amortised over the term of the contract as premium is earned.

Software

Purchased software is recognised as an intangible asset and amortised over its expected useful life (generally the licence term). Internally generated software is recognised as an intangible asset, with directly attributable costs incurred in the development stage capitalised. The internally generated software assets are amortised over the expected useful life of the systems and amortisation commences when the software is available for use.

The carrying value of software is reviewed every six months for evidence of impairment, with the value being written down if any impairment exists. Impairment may be reversed if conditions subsequently improve.

(iv) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when a legal or constructive obligation arises as a result of an event that occurred before the balance sheet date, when a cash-outflow relating to this obligation is probable and when the amount can be estimated reliably.

Where a material obligation exists, but the likelihood of a cash out-flow or the amount is uncertain, or where there is a possible obligation arising from a past event that is contingent on a future event, a contingent liability is disclosed.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of future events. Where it is probable that a cash-inflow will arise from a contingent asset, this is disclosed.

11b. Property and equipment

	Improvements to short leasehold buildings	Computer equipment £m	Office equipment £m	Furniture and fittings £m	ROU Asset – Leasehold	Total £m

	£m				buildings £m	
Cost						
At 1 January 2019	29.8	62.1	21.4	9.8	—	123.1
Initial application of IFRS 16	—	—	—	—	136.7	136.7
Additions	4.2	9.7	1.8	0.9	—	16.6
Disposals	—	(0.2)	(0.6)	(0.2)	—	(1.0)
Transfers	(0.4)	0.1	—	0.3	—	—
Foreign exchange and other movements	(0.2)	(0.3)	(0.2)	(0.2)	(2.3)	(3.2)
At 31 December 2019	33.4	71.4	22.4	10.6	134.4	272.2
Depreciation						
At 1 January 2019	16.8	52.3	17.0	8.9	—	95.0
Initial application of IFRS 16	—	—	—	—	—	—
Charge for the year	3.2	6.7	1.5	0.5	11.9	23.8
Disposals	—	(0.1)	—	(0.2)	—	(0.3)
Foreign exchange and other movements*1	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.7)
At 31 December 2019	19.8	58.7	18.4	9.1	11.8	117.8
Net book amount						
At 1 January 2019	13.0	9.8	4.4	0.9	—	28.1
Net book amount						
At 31 December 2019	13.6	12.7	4.0	1.5	122.6	154.4
Cost						
At 1 January 2020	33.4	71.4	22.4	10.6	134.4	272.2
Transfer of assets associated with disposal group held for sale	(1.2)	(6.2)	(0.9)	(0.2)	(5.5)	(14.0)
Additions	3.1	14.1	0.8	0.2	0.1	18.3
Impairment	—	—	—	—	(3.1)	(3.1)
Disposals	—	(0.6)	—	(0.3)	(1.8)	(2.7)
Foreign exchange and other movements	0.7	(0.1)	0.3	(0.1)	0.1	0.9
At 31 December 2020	36.0	78.6	22.6	10.2	124.2	271.6
Depreciation						
At 1 January 2020	19.8	58.7	18.4	9.1	11.8	117.8
Transfer of depreciation associated with disposal group held for sale	(0.6)	(5.2)	(0.5)	(0.2)	(1.6)	(8.1)
Charge for the year	3.7	6.8	1.8	0.5	10.8	23.6
Disposals	—	(0.7)	—	(0.2)	(1.5)	(2.4)
Foreign exchange and other movements	0.1	—	0.3	(0.1)	—	0.3
At 31 December 2020	23.0	59.6	20.0	9.1	19.5	131.2
Net book amount						
At 31 December 2020	**13.0**	**19.0**	**2.6**	**1.1**	**104.7**	**140.4**

*1 Within foreign exchange and other movements for the ROU asset, £0.6 million relates to remeasurements of the ROU asset due to amendments to the payment terms of the leasing arrangement.

11c. Intangible Assets

	Goodwill £m	Deferred acquisition costs £m	Software*1 £m	Total £m
At 1 January 2019	62.3	23.4	76.3	162.0
Additions	—	54.8	17.0	71.8
Amortisation charge	—	(52.8)	(17.4)	(70.2)
Disposals	—	—	(0.3)	(0.3)
Impairment	—	—	(1.2)	(1.2)
Transfers	—	—	—	—
Foreign exchange movement	—	(0.6)	(1.2)	(1.8)
At 31 December 2019	62.3	24.8	73.2	160.3
Additions	—	61.3	24.8	86.1
Amortisation charge	—	(59.0)	(19.2)	(78.2)
Disposals	—	—	(1.2)	(1.2)
Transfer of assets associated with disposal group held for sale	—	—	(1.2)	(1.2)
Foreign exchange movement	—	0.2	0.7	0.9
At 31 December 2020	**62.3**	**27.3**	**77.1**	**166.7**

*1 Software additions relating to internal development are immaterial in both 2020 and 2019. Gross carrying amount and accumulated amortisation of software as at the end of 2020 are £184.8 million (2019: £168.1 million) and £107.7 million respectively (2019: £94.9 million).

Goodwill relates to the acquisition of Group subsidiary EUI Limited (formerly Admiral Insurance Services Limited) in November 1999. As described in the accounting policies, the amortisation of this asset ceased on transition to IFRS on 1 January 2004. All annual impairment reviews since the transition date have indicated that the estimated recoverable value of the asset is greater than the carrying amount and therefore no impairment losses have been recognised.

Only one year of forecasts is required to support the recoverable value of goodwill above. Given the short time period used to support the recoverable amount, no terminal growth rate or discounting is applied.

Refer to the accounting policy for goodwill for further information.

An analysis of deferred acquisition costs is given in the table below:

	Gross £m	Reinsurance £m	Net £m
At 1 January 2019	71.6	(48.2)	23.4
Additions	163.1	(108.3)	54.8
Amortisation	(158.5)	105.7	(52.8)
Foreign exchange movement	(1.6)	1.0	(0.6)
At 31 December 2019	**74.6**	**(49.8)**	**24.8**
Additions	168.4	(107.1)	61.3
Amortisation	(166.4)	107.4	(59.0)
Foreign exchange movement	1.0	(0.8)	0.2
At 31 December 2020	**77.6**	**(50.3)**	**27.3**

11d. Trade and other payables

	31 December 2020 £m	Restated* 31 December 2019 £m
Trade payables	**34.9**	37.5
Amounts owed to co-insurers	**240.9**	220.8
Amounts owed to reinsurers	**1,262.8**	1,221.3
Other taxation and social security liabilities	**72.9**	79.6
Other payables	**135.6**	160.2
Accruals and deferred income (see below)	**244.1**	256.5
Total trade and other payables	**1,991.2**	1,975.9

* Other payables and Accruals and deferred income balances in 2019 have been restated to better reflect the nature of the underlying balances.

Of amounts owed to reinsurers (recognised under IFRS 4), £1,175.1 million (2019: £1,129.6 million) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2020 £m	Restated* 31 December 2019 £m
Premium received in advance of policy inception	**98.3**	131.7
Accrued expenses	**77.2**	66.1
Deferred income	**68.6**	58.7
Total accruals and deferred income as above	**244.1**	256.5

* Accrued expenses and Deferred income balances in 2019 have been restated to better reflect the nature of the underlying balances.

11e. Leases

Admiral Group plc hold various property under leasing arrangements that are now recognised as right of use assets and lease liabilities. A maturity analysis of lease liabilities based on contractual undiscounted cashflows is set out below:

	31 December 2020 £m	31 December 2019 £m
Maturity analysis – contractual undiscounted cash flows		
Within one year	**13.8**	12.9
Between two to five years	**42.4**	47.9
Between five to ten years	**39.1**	45.3
Over ten years	**50.0**	56.7
Total	**145.3**	162.8

Amounts recognised in the statement of financial position are as follows:

	31 December 2020 £m	31 December 2019 £m
Lease liabilities		
Current	**11.0**	9.7
Non-Current	**111.8**	127.4
Total	**122.8**	137.1

See note 11b for right of use assets depreciation and the carrying amount of right of use asset at the end of the reporting period. Only one class of underlying assets is identified as leasehold buildings. Total cash outflows in relation to leases is disclosed under 6i.

The Group has no significant financial commitments other than those accounted for as right of use assets and lease liabilities under IFRS 16.

11f. Contingent liabilities

The Groups' legal entities operate in numerous tax jurisdictions and on a regular basis are subject to review and enquiry by the relevant tax authority.

Rastreator Comparador Correduria Seguros ("Rastreator Comparador"), the Group's Spanish Comparison business, has undergone a tax audit in respect of the 2013 and 2014 financial years. As a result of the audit, the Spanish Tax Authority has denied the VAT exemption relating to insurance intermediary services which Rastreator Comparador has applied. Rastreator Comparador is appealing this decision via the Spanish Courts and is confident in defending its position which is, in its view, in line with the EU Directive and is also consistent with the way similar supplies are treated throughout Europe.

The potential liability for the financial years currently subject to audit is approximately €5 million, and, as identified in note 6, a bank guarantee has been provided to the Spanish Tax Authority for this amount. If the exemption is also disallowed in respect of later years, with further notification of the 2016 year also now having been received from the Spanish Tax Authority, the liability could increase to €24 million. If this matter has not been resolved prior to the disposal of Rastreator Comparador, the contingent liability will remain with the Group.

The Group is also in discussions on various corporate tax matters, enquiries and investigations with tax authorities in the UK, Italy and Spain. To date, these discussions have focused on the transfer pricing arrangements in place between the Group's intermediaries and insurers.

No provision has been made in these financial statements in relation to the matters noted above.

The Group is, from time to time, subject to threatened or actual litigation and/or legal and/or regulatory disputes, investigations or similar actions both in the UK and overseas. All potentially material matters are assessed, with the assistance of external advisers if appropriate, and in cases where it is concluded that it is more likely than not that a payment will be made, a provision is established to reflect the best estimate of the liability. In some cases it will not be possible to form a view, for example if the facts are unclear or because further time is needed to properly assess the merits of the case. No provisions are held in relation to such matters. In these circumstances, specific disclosure of a contingent liability will be made where material. The Directors do not consider that the final outcome of any such current case will have a material adverse effect on the Group's financial position, operations or cash flows.

12. Share capital

The Group's capital includes share capital and the share premium account, other reserves which are comprised of the fair value reserve, hedging reserve and foreign exchange reserve, and retained earnings.

12a. Accounting policies

(i) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

(ii) Dividends

Dividends are recorded in the period in which they are declared and paid.

(iii) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to equity holders of the Group parent company, Admiral Group plc by the weighted average number of ordinary shares during the period.

Diluted earnings per share is calculated by dividing profit or loss attributable to equity holders of the Group parent company by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

12b. Dividends

Dividends were proposed, approved and paid as follows:

	31 December 2020 £m	31 December 2019 £m
Proposed March 2019 (66.0 pence per share, approved April 2019, paid June 2019)	**—**	**188.0**
Declared August 2019 (63.0 pence per share, paid October 2019)	**—**	**179.8**
Proposed March 2020 (77.0 pence per share, 56.3 pence per share approved April 2020 and paid June 2020)	**162.3**	**—**
Declared August 2020 (91.2 pence per share, including 20.7 pence per share deferred, paid October 2020)	**263.4**	**—**
Total dividends	**425.7**	**367.8**

The dividends proposed in March (approved in April) represent the final dividends paid in respect of the 2018 and 2019 financial years. The dividends declared in August are interim distributions in respect of 2019 and 2020, with the deferred 20.7 pence per share special dividend relating to the 2019 financial year included in the 2020 interim dividend.

A final dividend of 86.0 pence per share (£250 million) has been proposed in respect of the 2020 financial year. Refer to the Chairman's Statement and Strategic Report for further detail.

12c. Earnings per share

	31 December 2020 £m	Re-presented 31 December 2019 £m
Profit for the financial year after taxation attributable to equity shareholders – continuing operations	**502.9**	418.9
Profit for the financial year after taxation attributable to equity shareholders – discontinued operations	**25.9**	13.5
Profit for the financial year after taxation attributable to equity shareholders – continuing and discontinued operations	**528.8**	432.4
Weighted average number of shares – basic	**294,563,978**	291,513,714
Unadjusted earnings per share – basic – continuing operations	**170.7p**	143.7p
Unadjusted earnings per share – basic – discontinued operations	**8.8p**	4.6p
Unadjusted earnings per share – basic – continuing and discontinued operations	**179.5p**	148.3p
Weighted average number of shares – diluted	**295,034,233**	292,094,797
Unadjusted earnings per share – diluted – continuing operations	**170.4p**	143.4p
Unadjusted earnings per share – basic – discontinued operations	**8.8p**	4.6p
Unadjusted earnings per share – diluted – continuing and discontinued operations	**179.2p**	148.0p

The difference between the basic and diluted number of shares at the end of 2020 (being 470,255 2019: 581,083) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 9 for further detail.

12d. Share capital

	31 December 2020 £m	31 December 2019 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	**0.5**	0.5
Issued, called up and fully paid		
296,692,063 ordinary shares of 0.1 pence	**0.3**	—
293,686,329 ordinary shares of 0.1 pence	**—**	0.3
	0.3	0.3

During 2020, 3,005,734 (2019: 3,183,592) new ordinary shares of 0.1 pence were issued to the trusts administering the Group's share schemes.

755,734 (2019: 883,592) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme resulting in cumulative shares issued to the Trust at 31 December 2020 of 12,384,715 (31 December 2019: 11,628,981). Of the shares issued, 4,331,860 remain in the Trust at 31 December 2020 (2019: 4,389,821). These shares are entitled to receive dividends.

2,250,000 (2019: 2,300,000) shares were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme resulting in cumulative shares issued to the Trust of 25,711,948 (31 December 2019: 23,461,948). Of the shares issued 5,447,441 remain in the Trust at 31 December 2020 (2019: 5,823,675) to be used for future vesting, the remaining issued shares having vested.

The balance of awards made to employees under the Discretionary Free Share Scheme that have not either vested or lapsed is 8,277,428 (2019: 8,691,542).

The Trustees have waived the right to dividend payments, other than to the extent of 0.001 pence per share, unless and to the extent otherwise directed by the Company from time to time.

There is one class of share with no unusual restrictions.

12e. Objectives, policies and procedures for managing capital

The Group's capital management policy defines the Board oversight, risk appetite and tier structure of the Group's capital in addition to management actions that may be taken in respect of capital, such as dividend payments.

The Group aims to operate a capital-efficient business model by transferring a significant proportion of underwriting risk to co-insurance and reinsurance partners. This in turn reduces the amount of capital the Group needs to retain to operate and grow, and allows the Group to distribute the majority of its earnings as dividends.

The Board has determined that it will hold capital as follows:

- Sufficient Solvency II Own Funds to meet all of the Group's Solvency II capital requirements (over a 1 year and ultimate time horizon).
- An additional contingency to cover unforeseen events and losses that could realistically arise. This risk appetite buffer is assessed via stress testing performed on an annual basis and is calibrated in relation to the one-year regulatory SCR.

The Group's current risk appetite buffer is 30% above the regulatory SCR.

The Group's dividend policy is to:

- Pay a normal dividend equal to 65% of post-tax profits for the period
- Pay a special dividend calculated with reference to distributable reserves and surplus capital held above the risk appetite buffer.

This policy gives the Directors flexibility in managing the Group's capital.

As noted above, the Group's regulatory capital position is calculated under the Solvency II Framework. The Solvency Capital Requirement is based on the Solvency II Standard Formula, with a capital-add-on to reflect limitations in the Standard Formula with respect to Admiral's risk profile (predominately in respect of profit commission arrangements in co-and reinsurance agreements and risks relating to Periodic Payment Order (PPO) claims).

Solvency Ratio (unaudited)

At the date of this report (3 March 2021), the Group's regulatory solvency ratio, calculated using a capital add-on that has not been subject to regulatory approval, is 187% (2019: 190%). This includes the recognition of the 2020 final dividend of 86 pence per share (2019: 77 pence per share).

The Group's 2020 Solvency and Financial Condition Report (SFCR) will, when published, disclose a solvency ratio that is calculated at the balance sheet date rather than annual report date, using the capital add-on that was most recently subject to regulatory approval. The estimated and unaudited SFCR solvency ratio is 206%, with the reconciliation between this ratio and the 187% noted above being as follows:

	31 December 2020 £m	31 December 2019 £m
Regulatory Solvency Ratio (Unaudited)		
Solvency Ratio reported in this report	**187%**	190%
Change in valuation date	**(5%)**	(10%)
Other (including impact of updated, unapproved capital add-on)	**24%**	(10%)
Solvency Ratio to be reported in the SFCR	**206%**	170%

Subsidiaries

The Group manages the capital of its subsidiaries to ensure that all entities within the Group are able to continue as going concerns and also to ensure that regulated entities meet regulatory requirements with an appropriate risk appetite buffer. Excess capital above these levels within subsidiaries is paid up to the Group holding company in the form of dividends on a regular basis.

12f. Group related undertakings

The Parent Company's subsidiaries are as follows:

Subsidiary	Class of shares held	% Ownership	Principal Activity
Incorporated in England and Wales			
Registered office: Floor 3 No. 3 Capital Quarter, Cardiff, CF10 4BZ			
Admiral Law Limited	Ordinary	95	Legal company
Registered office: Admiral House, Queensway, Newport, NP20 4AG			
BDE Law Limited	Ordinary	95 (indirect)	Dormant*
Registered office: Floor 4 No. 3 Capital Quarter, Cardiff, CF10 4BZ			
Able Insurance Services Limited	Ordinary	100	Insurance Intermediary
Registered office: Greyfriars House, Greyfriars Road, Cardiff, CF10 3AL			
Penguin Portals Limited	Ordinary	100	Internet-based Comparison Site
Inspop.com Limited	Ordinary	100	Internet-based Comparison Site
Rastreator.com Limited	Ordinary	75	Internet-based Comparison Site
Registered office: Tŷ Admiral, David Street, Cardiff, CF10 2EH			
EUI Limited	Ordinary	100	Insurance Intermediary
Admiral Insurance Company Limited	Ordinary	100	Insurance company
Admiral Life Limited	Ordinary	100	Dormant*
Admiral Syndicate Limited	Ordinary	100	Dormant*
Admiral Syndicate Management Limited	Ordinary	100	Dormant*
Bell Direct Limited	Ordinary	100	Dormant*

Confused.com Limited	Ordinary	100	Dormant*
Diamond Motor Insurance Services Limited	Ordinary	100	Dormant*
Elephant Insurance Services Limited	Ordinary	100	Dormant*
Admiral Financial Services Limited	Ordinary	100	Financial services company
Preminen Price Comparison Holdings Limited	Ordinary	50	Internet-based Comparison Site
Preminen Dragon Price Comparison Limited	Ordinary	50 (indirect)	Internet-based Comparison Site
Incorporated in Gibraltar			
Registered office: 1st Floor, 24 College Lane, Gibraltar, GX11 1AA			
Admiral Insurance (Gibraltar) Limited	Ordinary	100	Insurance company
Incorporated in Spain			
Registered office: Calle Sanchez Pacheco 85 28002 Madrid			
Rastreator Comparador Correduria De Seguros S.L.U.	Ordinary	75 (indirect)	Internet-based Comparison Site
Admiral Europe Compañía de Seguros, S.A.	Ordinary	100	Insurance company
Registered office: Calle Albert Einstein, 10 41092 Sevilla			
Admiral Intermediary Services S.A.	Ordinary	100	Insurance Intermediary
Incorporated in France:			
Registered office: 34 quai de la loire, 75019, Paris			
LeLynx SAS	Ordinary	100	Internet-based Comparison Site
Incorporated in the United States of America			
Registered office: Deep Run 1; Suite 400, 9950 Mayland Drive, Henrico, VA 23233			
Elephant Insurance Company	Ordinary	100	Insurance company
Grove General Agency Inc	Ordinary	100 (indirect)	Insurance intermediary
Platinum General Agency Inc	Ordinary	100 (indirect)	Insurance intermediary
Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801			
Elephant Insurance Services LLC	Ordinary	100	Insurance intermediary
Elephant Holding Company	Ordinary	100 (indirect)	Insurance intermediary
Registered office: 6802 Paragon Place Suite 410 Richmond, VA 23230			
compare.com Insurance Agency LLC	Ordinary	58.14 (indirect)	Internet-based Comparison Site
Inspop USA LLC	Ordinary	58.14	Internet-based Comparison Site
Incorporated in Mexico			
Registered office: Varsovia, 36, 5th floor, office 501, Colonia Juárez, Cuauhtemoc, Ciudad de Mexico			
Preminen Mexico Sociedad Anonima de Capital Variable		51.25 (indirect)	Internet-based Comparison Site
Incorporated in India			
Registered office: F-2902, Ireo Grand Arch, Sector 58,, Gurugram, HARYANA, Gurgaon, Haryana, India, 122011			
Preminen Price Comparison India Private Limited		50 (indirect)	Internet-based Comparison Site

Subsidiaries by virtue of control

The related undertakings below are subsidiaries in accordance with IFRS 10, as Admiral can exercise dominant influence or control over them:

Registered office: 10th Floor, 5 Churchill Place, London, E14 5HU			
Seren One Limited	n/a	0	Special purpose entity

Associates

Incorporated in China			
Registered office: Room 1806, 15th Floor, Block 16, No. 39 East 3rd Ring Middle Road, Chaoyang District, Beijing			
Long Yu Science and Technology (Beijing) Co., Ltd		20.25 (indirect)	Dormant
Incorporated in Bahrain			
Registered office: 4th Floor, Office 42, LMC Building 852, Road 3618, Block 436, Al Seef District, PO Box 60138, Manama, Bahrain			
Preminen MENA Price Comparison		15 (indirect)	Internet-based Comparison Site

* Exempt from audit under S479A of Companies Act 2006

For further information on how the Group conducts its business across the UK, Europe and the US, refer to the Strategic Report.

12g. Related party transactions

The Board considers that only the Executive and Non-Executive Directors of Admiral Group plc are key management personnel.

A summary of the remuneration of key management personnel is as follows, with further detail relating to the remuneration and shareholdings of key management personnel set out in the Directors' Remuneration Report.

Key management personnel received short term employee benefits in the year of £2,522,280 (2019: £1,957,868), post-employment benefits of £22,999 (2019: £18,946) and share based payments of £2,249,425 (2019: £938,258). Key management personnel are able to obtain discounted motor insurance at the same rates as all other Group staff, typically at a reduction of 15%.

12h. Post balance sheet events

No events have occurred since the reporting date that materially impact these financial statements.

13. Discontinued Operations

13a. Accounting Policy

Disposal groups are classified as held for sale in accordance with IFRS 5 if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. A discontinued operation is a component of the business that has been disposed of or is classified as held for sale and represents a separate major line of business, or is part of a single co-ordinated plan to dispose of such a line of business.

The disposal group is measured at the lower of carrying value and fair value less costs to sell. Assets within a disposal group that is classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for assets which are specified under IFRS 5 which shall continue to be measured in accordance with the applicable standard. These assets include, deferred tax assets, assets arising from employee benefits, financial assets within the scope of IFRS 9 and contractual rights under insurance contracts as defined in IFRS 4.

The assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the Statement of Financial Position. Non-current assets within a disposal group are not depreciated or amortised from the point of classification as held for sale.

The results of discontinued operations are presented separately in the Statement of Comprehensive Income. The result comprises the profit or loss after tax from discontinued operations and other comprehensive income attributable to discontinued operations. In the period in which an operation is first classified as discontinued, the Income Statement, Statement of Comprehensive Income and applicable notes are represented to present those operations as discontinued.

13b. Description

On the 29th December 2020, the Group announced that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ("RVU") that RVU will purchase the Penguin Portals Group ("Penguin Portals", comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and the Group's technology operation Admiral Technologies) and its 50% share of Preminen Price Comparison Holdings

Limited (“Preminen”). MAPFRE will also sell its 25% holding in Rastreator and 50% holding in Preminen as part of the transaction.

As such, management consider these entities to meet the definition of a disposal group as set out under IFRS 5 above.

The total transaction value, including the amount attributable to MAPFRE, is £508 million plus a further amount that will accrue until the date of completion of the Proposed Transaction (“Transaction Value”). The Transaction Value shall be satisfied in cash at completion of the Proposed Transaction subject to certain adjustments. The proceeds to Admiral, net of minority interests and transaction costs, will be around £450 million. As noted above, the final transaction value will depend on the completion date.

At 31st December 2020, the Group retains control and continues to consolidate the Penguin Portals Group and Preminen Price Comparison Holdings Limited. The sale is subject to regulatory approval but is expected to be completed within the first half of 2021 and will result in a loss of control. The disposal group is measured at its carrying value as this is lower than the fair value of the agreed sale price less transaction costs.

The disposal group is included within the “Discontinued (comparison)” operating segment as stated in note 4.

13c. Financial performance and cash flow information

Financial information relating to the discontinued operations for the financial year ending 31 December 2020 and 2019 are presented below:

	31 December 2020			31 December 2019		
	Gross	**Eliminations**	**Net**	Gross	Eliminations	Net
	£m	**£m**	**£m**	£m	£m	£m
Revenue (Other Revenue)	**183.9**	**(22.0)**	**161.9**	164.3	(18.7)	**145.6**
Interest Income	**—**	**—**	**—**	—	—	**—**
Net Revenue	**183.9**	**(22.0)**	**161.9**	164.3	(18.7)	**145.6**
Operating expenses and share scheme charges	**(154.4)**	**22.0**	**(132.4)**	(146.7)	18.7	**(128.0)**
Operating profit	**29.5**	**—**	**29.5**	17.6	—	**17.6**
Finance costs	**(0.1)**	**—**	**(0.1)**	(0.1)	—	**(0.1)**
Profit before tax from discontinued operations	**29.4**	**—**	**29.4**	17.5	—	**17.5**
Taxation expense	**(3.6)**	**—**	**(3.6)**	(5.0)	—	**(5.0)**
Profit after tax from discontinued operations	**25.8**	**—**	**25.8**	12.5	—	**12.5**

Operating expenses and share scheme charges include £3.1 million (2019: £4.3 million) of share scheme expenses that are not included in the segmental result in note 4. The net cash flows incurred by the disposal group are as follows:

	31 December 2020	31 December 2019
	£m	£m
Net cash inflow from operating activities	36.1	21.9
Net cash (outflow) from investing activities	(1.0)	(1.5)
Net cash (outflow) from financing activities	(15.9)	(16.8)
Net cash inflow from discontinued operations	19.2	3.6

13d. Assets held for sale

		31 December 2020
		£m
Assets	*Note*	
Property and equipment	*11b*	5.9
Intangible assets	*11c*	1.2
Deferred tax asset	*10c*	4.2
Trade and other receivables		18.2
Cash and cash equivalents		53.5
Assets associated with disposal group held for sale		**83.0**

Liabilities	
Trade and other payables	24.9
Lease liabilities	4.1
Corporation tax liability	5.0
Liabilities directly associated with disposal group held for sale	**34.0**

14. Reconciliations

The following tables reconcile significant key performance indicators and non-GAAP measures included in the Strategic Report to items included in the financial statements.

14a. Reconciliation of turnover to reported gross premiums written and Other Revenue as per the financial statements

	31 December 2020 £m	31 December 2019 £m
Gross premiums written after co-insurance per note 5b of financial statements	**2,344.0**	2,273.7
Premiums underwritten through co-insurance arrangements	**613.2**	610.7
Total premiums written	**2,957.2**	2,884.4
Other Revenue – continuing operations	**329.4**	324.3
Other Revenue – discontinued operations	**161.9**	145.6
Admiral Loans interest income	**36.8**	30.8
	3,485.3	3,385.1
Other*1	**42.4**	59.0
Turnover as per note 4b of financial statements	**3,527.7**	3,444.1
Intra-group income elimination*2	**22.2**	19.4
Total turnover	**3,549.9**	3,463.5

**1 Other reconciling items represent co-insurer and reinsurer shares of Other Revenue in the Group's Insurance businesses outside of UK Car Insurance.*

**2 Intra-group income elimination relates to comparison income earned in the Group from other Group companies*

**3 See note 14g for the impact of the "Stay at home" premium refund issued to UK motor insurance customers on Turnover in H1 2020.*

14b. Reconciliation of claims incurred to reported loss ratios, excluding releases on commuted reinsurance

December 2020	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance claims (note 5)	97.1	29.3	23.8	**150.2**	139.3	3.7	**143.0**	**293.2**
Deduct claims handling costs	(12.3)	(1.3)	—	**(13.6)**	(9.8)	—	**(9.8)**	**(23.4)**
Prior year release/strengthening – net original share	104.3	2.8	—	**107.1**	18.6	—	**18.6**	**125.7**
Prior year release/strengthening – commuted share	137.3	—	—	**137.3**	—	—	**—**	**137.3**
Impact of reinsurer caps	—	—	—	**—**	1.9	—	**1.9**	**1.9**
Impact of weather events	—	(2.3)	—	**(2.3)**	—	—	—	**(2.3)**
Attritional current period claims	**326.4**	**28.5**	**23.8**	**378.7**	150.0	3.7	**153.7**	**532.4**
Net insurance premium revenue	**451.4**	**43.2**	**45.2**	**539.8**	204.2	7.6	**211.8**	**751.6**
Loss ratio – current period attritional	72.3%	65.9%	—	**70.2%**	73.4%	—	—	**70.8%**
Loss ratio – current period weather events	—	5.3%	—	**0.4%**	—	—	—	**0.3%**
Loss ratio – prior year release/strengthening (net original share)	(23.1%)	(6.4%)	—	**(19.8%)**	(9.1%)	—	—	**(16.7%)**
Loss ratio – reported	**49.2%**	**64.8%**	—	**50.8%**	64.3%	—	—	**54.4%**

December 2019	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance claims (note 5)	164.7	26.8	24.3	**215.8**	137.2	6.3	**143.5**	**359.3**
Deduct claims handling costs	(11.8)	(1.1)	—	**(12.9)**	(7.6)	—	**(7.6)**	**(20.5)**
Prior year release/strengthening – net original share	121.7	2.5	—	**124.2**	14.4	—	**14.4**	**138.6**
Prior year release/strengthening – commuted share	121.7	—	—	**121.7**	—	—	**—**	**121.7**
Impact of reinsurer caps	—	—	—	**—**	(0.1)	—	**(0.1)**	**(0.1)**
Impact of weather events	—	—	—	**—**	—	—	—	—
Impact of subsidence	—	—	—	**—**	—	—	—	—
Attritional current period claims	**396.3**	**28.2**	**24.3**	**448.8**	143.9	6.3	**150.2**	**599.0**
Net insurance premium revenue	**452.6**	**37.2**	**43.4**	**533.2**	168.6	7.6	**176.2**	**709.4**
Loss ratio – current period attritional	87.6%	75.8%	—	**84.2%**	85.3%	—	—	**84.4%**
Loss ratio – prior year release/strengthening (net original share)	(26.9%)	(6.7%)	—	**(23.3%)**	(8.5%)	—	—	**(19.5%)**
Loss ratio – reported	**60.7%**	**69.1%**	—	**60.9%**	76.8%	—	—	**64.9%**

14c. Reconciliation of expenses related to insurance contracts to reported expense ratios

December 2020	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance expenses (note 9)	76.7	11.4	5.2	**93.3**	78.5	4.0	**82.5**	**175.8**
Claims handling costs	12.3	1.3	—	**13.6**	9.8	—	**9.8**	**23.4**
Intra-group expenses elimination[*1]	—	—	—	**—**	0.2	—	**0.2**	**0.2**
Impact of reinsurer caps	—	—	—	**—**	1.1	—	**1.1**	**1.1**
Net IFRS 16 finance costs	0.5	—	—	**0.5**	0.1	—	**0.1**	**0.6**
Adjusted net insurance expenses	**89.5**	**12.7**	**5.2**	**107.4**	**89.7**	**4.0**	**93.7**	**201.1**
Net insurance premium revenue	**451.4**	**43.2**	**45.2**	**539.8**	204.2	7.6	**211.8**	**751.6**
Expense ratio – reported	19.8%	29.4%	—	**19.9%**	43.9%	—	—	**26.8%**

December 2019	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance expenses (note 9)	74.2	9.7	6.0	**89.9**	52.2	1.3	**53.5**	**143.4**
Claims handling costs	11.8	1.1	—	**12.9**	7.6	—	**7.6**	**20.5**
Intra-group expenses elimination[*1]	—	—	—	—	0.7	—	**0.7**	**0.7**
Impact of reinsurer caps	—	—	—	**—**	2.9	—	**2.9**	**2.9**
Net IFRS 16 finance costs	0.5	—	—	**0.5**	0.1	—	**0.1**	**0.6**
Adjusted net insurance expenses	**86.5**	**10.8**	**6.0**	**103.3**	**63.5**	**1.3**	**64.8**	**168.1**
Net insurance premium revenue	**452.6**	**37.2**	**43.4**	**533.2**	**168.6**	7.6	**176.2**	**709.4**
Expense ratio – reported	19.1%	28.9%	—	**19.4%**	37.6%	—	—	**23.7%**

*1 The intra-group expenses elimination amount relates to aggregator fees charges by the Group's comparison business, Compare.com to other Group companies: given the re-presentation of other comparison businesses to discontinued operations, those expenses are now included in net insurance expenses in note 9, as acquisition costs.

14d. Reconciliation of statutory profit before tax to Group's share of profit before tax, and Profit after tax

	31 December 2020 £m	31 December 2019 £m
Reported profit before tax per the consolidated income statement – continuing operations	**608.2**	505.1
Non-controlling share of profit before tax – continuing operations	**0.9**	3.0
Group's share of profit before tax – continuing operations	**609.1**	**508.1**
Reported profit before tax per note 13 – discontinued operations	**29.4**	17.5
Non-controlling interest share of profit before tax – discontinued operations	**(0.1)**	0.5
Group's share of profit before tax – discontinued operations	**29.3**	18.0
Reported Group profit before tax – continuing and discontinued operations	**637.6**	522.6
Non-controlling interest share of profit before tax – continuing and discontinued operations	**0.8**	3.5
Group's share of profit before tax – continuing and discontinued operations	**638.4**	**526.1**

	31 December 2020 £m	31 December 2019 £m
Reported profit after tax per the consolidated income statement – continuing operations	**502.0**	415.9
Non-controlling share of profit after tax – continuing operations	**0.9**	3.0
Group's share of profit after tax – continuing operations	**502.9**	**418.9**
Reported profit after tax per note 13 – discontinued operations	**25.8**	12.5
Non-controlling interest share of profit after tax – discontinued operations	**0.1**	1.0
Group's share of profit after tax – discontinued operations	**25.9**	13.5
Reported profit after tax per consolidated income statement – continuing and discontinued operations	**527.8**	428.4
Non-controlling interest share of profit after tax – continuing and discontinued operations	**1.0**	4.0
Group's share of profit after tax – continuing and discontinued operations (SOCIE)	**528.8**	**432.4**

14e. Reconciliation of share scheme charges in Strategic report to Consolidated Income Statement and Consolidated Statement of Changes in Equity

	31 December 2020 £m	31 December 2019 £m
Net share scheme charges included in Group's share of profit before tax	**53.8**	52.7
Non-controlling interest share of net share scheme charges	**0.2**	0.7
Net share scheme charges included in Group profit before tax	**54.0**	**53.4**

14f. Reconciliation of note 4 to Strategic Report

i) UK Insurance

2020	Motor £m	Household £m	Travel £m	**Total £m**
Turnover	**2,473.8**	**193.8**	**4.4**	**2,672.0**
UK Insurance profit before tax – Strategic report	683.4	15.4	(0.7)	**698.1**
Non-controlling interest share of PBT	0.2	—	—	**0.2**
Statutory profit/(loss) before tax	**683.6**	**15.4**	**(0.7)**	**698.3**

2019	Motor £m	Household £m	Travel £m	**Total £m**
Turnover	**2,455.3**	**171.3**	**8.4**	**2,635.0**
UK Insurance profit before tax – Strategic report	591.5	7.5	(1.6)	**597.4**
Non-controlling interest share of PBT	0.5	—	—	**0.5**
Statutory profit/(loss) before tax	**592.0**	**7.5**	**(1.6)**	**597.9**

ii) International Insurance

2020	Spain £m	Italy £m	France £m	US £m	**Total £m**
Turnover	83.9	213.0	139.3	212.6	**648.8**
Profit/(loss) before tax – Strategic Report and Statutory	13.6			(4.8)	**8.8**

2019	Spain £m	Italy £m	France £m	US £m	**Total £m**
Turnover	78.2	204.2	108.1	233.1	**623.6**
Profit/(loss) before tax – Strategic Report and Statutory	8.7			(9.6)	**(0.9)**

iii) Comparison

	Discontinued				Continuing	**Total**
2020	Confused £m	European £m	Other £m	Total (discontinued)	Compare (other)	**Total £m**
Turnover	**133.5**	**48.5**	**1.9**	**183.9**	**6.1**	**190.0**
Group's share of profit before tax – Strategic Report	29.4	3.6	**(0.7)**	**32.3**	**(1.3)**	**31.0**
Non-controlling interest share of profit/(loss) before tax	—	0.9	**(0.7)**	**0.2**	**(1.0)**	**(0.8)**
Statutory profit/(loss) before tax excluding share scheme charges [*1]	**29.4**	**4.5**	**(1.4)**	**32.5**	**(2.3)**	**30.2**

[*1] When share scheme charges are included, the statutory profit for discontinued operations is £29.4 million. See note 13 for further information.

	Discontinued				Continuing	**Total**
2019 – Re-presented[*1]	Confused £m	European £m	Other £m	Total (discontinued)	Compare (other)	**Total[*1] £m**
Turnover	**112.7**	**50.1**	**1.5**	**164.3**	**7.3**	**171.6**
Group's share of profit before tax – Strategic Report	20.4	3.5	**(1.6)**	**22.3**	**(4.3)**	**18.0**
Non-controlling interest share of profit/(loss) before tax	—	1.0	**(1.4)**	**(0.4)**	**(2.9)**	**(3.3)**
Statutory profit/(loss) before tax	**20.4**	**4.5**	**(3.0)**	**21.9**	**(7.2)**	**14.7**

[*1] When share scheme charges are included, the statutory profit for discontinued operations is £17.5 million. See note 13 for further information.

14g. Reconciliation of Impact of "Stay at Home" premium refund issued to UK motor insurance customers on Turnover, Total written premiums, Gross written premiums and net insurance premium revenue

	31 December 2020 £m
Total "stay at home" premium refund issued to UK motor insurance customers	**110.0**
Insurance premium tax	(12.7)
Impact of premium refund on turnover and total written premium	**97.3**
Co-insurer share of premium refund	(27.3)
Impact of premium refund on gross written premium and gross earned premium	**70.0**
Reinsurer share of premium refund on reinsurers' written and earned premium	(48.9)
Impact of premium refund on net insurance premium revenue (written and earned)	**21.1**

Whilst the impact on premium in the period is £21.1 million, the ultimate impact is expected to be the substantial majority of the total premium refunded due to the Group's co- and reinsurance profit commission arrangements. The majority of this has been reflected in the current year.

Consolidated financial summary (unaudited)

Basis of preparation

The figures below are as stated in the Group financial statements preceding this financial summary and issued previously. Only selected lines from the income statement and balance sheet have been included.

Income statement

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Total premiums	**2,957.3**	2,938.6	2,766.4	2,499.4	2,193.9
Net insurance premium revenue	**751.6**	709.4	671.8	619.1	548.8
Other Revenue	**520.9**	494.4	460.6	401.1	360.6
Profit commission	**134.0**	114.9	93.2	67.0	54.3
Investment and interest income	**60.7**	35.3	36.0	41.7	53.1
Net revenue	**1,467.2**	1,354.0	1,261.6	1,128.9	1,016.8
Net insurance claims	**(293.2)**	(359.3)	(350.1)	(347.1)	(394.6)
Net expenses	**(524.0)**	(459.5)	(424.0)	(366.9)	(332.4)
Operating profit	**650.0**	535.2	487.5	414.9	289.8
Net finance costs	**(12.4)**	(12.6)	(11.3)	(11.4)	(11.4)
Profit before tax	**637.6**	522.6	476.2	403.5	278.4

Balance sheet

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Property and equipment	**146.3**	154.4	28.1	31.3	32.0
Intangible assets	**167.9**	160.3	162.0	159.4	162.3
Deferred income tax	**3.3**	—	0.2	0.3	8.4
Corporation tax	**17.9**	—	—	—	—
Reinsurance assets	**2,083.2**	2,071.7	1,883.5	1,637.6	1,126.4
Insurance and other receivables	**1,200.2**	1,227.7	1,082.0	939.7	784.9
Loans and advances to customers	**359.8**	455.1	300.2	66.2	—
Financial investments	**3,506.0**	3,234.5	2,969.7	2,697.8	2,420.2
Cash and cash equivalents	**351.7**	281.7	376.8	326.8	326.6
Total assets	**7,836.3**	7,585.4	6,802.5	5,859.1	4,860.8
Equity	**1,123.4**	918.6	771.1	655.8	581.7
Insurance contracts	**4,081.3**	3,975.0	3,736.4	3,313.9	2,749.5
Subordinated and other financial liabilities	**488.6**	530.1	444.2	224.0	224.0
Trade and other payables	**2,016.1**	1,975.9	1,801.5	1,641.6	1,292.2
Lease liabilities	**126.9**	137.1	—	—	—
Deferred income tax	—	0.4	—	—	—
Current tax liabilities	—	48.3	49.3	23.8	13.4
Total equity and total liabilities	**7,836.3**	7,585.4	6,802.5	5,859.1	4,860.8

Glossary

Alternative Performance Measures

Throughout this report, the Group uses a number of Alternative Performance Measures (APMs); measures that are not required or commonly reported under International Financial Reporting Standards, the Generally Accepted Accounting Principles (GAAP) under which the Group prepares its financial statements.

These APMs are used by the Group, alongside GAAP measures, for both internal performance analysis and to help shareholders and other users of the Annual Report and financial statements to better understand the Group’s performance in the period in comparison to previous periods and the Group’s competitors.

The table below defines and explains the primary APMs used in this report. Financial APMs are usually derived from financial statement items and are calculated using consistent accounting policies to those applied in the financial statements, unless otherwise stated. Non-financial KPIs incorporate information that cannot be derived from the financial statements but provide further insight into the performance and financial position of the Group.

APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group's competitors. They should be considered as a supplement rather than a substitute for GAAP measures.

Turnover	Turnover is defined as total premiums written (as below), other revenue and income from Admiral Loans. It is reconciled to financial statement line items in note 14a to the financial statements. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the total value of the revenue generated by the Group and analysis of this measure over time provides a clear indication of the size and growth of the Group. The measure was developed as a result of the Group's business model. The core UK Car insurance business has historically shared a significant proportion of the risks with Munich Re, a third party reinsurance Group, through a co-insurance arrangement, with the arrangement subsequently being replicated in some of the Group's international insurance operations. Premiums and claims accruing to the external co-insurer are not reflected in the Group's income statement and therefore presentation of this metric enables users of the Annual Report to see the scale of the Group's insurance operations in a way not possible from taking the income statement in isolation. In 2020 a "Stay at Home" premium rebate of £25 per vehicle was issued to UK motor insurance customers. The total refunded was £110 million. Of this total, £97 million has been reflected within the 2020 total premiums written, and therefore, turnover metric, with the remaining amount reflecting insurance premium tax.
Total Premiums Written	Total premiums written are the total forecast premiums, net of forecast cancellations written in the underwriting year within the Group, including co-insurance. It is reconciled to financial statement line items in note 14a to the financial statements. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the total premiums written by the Group's insurance intermediaries and analysis of this measure over time provides a clear indication of the growth in premiums, irrespective of how co-insurance agreements have changed over time. The reasons for presenting this measure are consistent with that for the Turnover APM noted above. As noted in the Turnover metric above, in 2020 a reduction of £97 million has been reflected within 2020 total premiums written, to reflect the "Stay at Home" premium rebate.
Group's share of Profit before Tax	Group's share of profit before tax represents profit before tax, excluding the impact of Non-controlling Interests. It is reconciled to statutory profit before tax in note 14d to the financial statements. This measure is useful in presenting the limit of the Group's exposure to the expenditure incurred in starting up new businesses and demonstrates the 'test-and-learn' strategy employed by the Group to expansion into new territories.
Underwriting result including investment income (profit or loss)	For each insurance business an underwriting result is presented showing the segment result prior to the inclusion of profit commission, other income contribution and instalment income. It demonstrates the insurance result, i.e. premium revenue and investment income on insurance assets less claims incurred and insurance expenses.
Loss Ratio	Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums. There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 14b to the accounts and explanation is as follows.

	UK reported Motor loss ratio: Within the UK insurance segment the Group separately presents motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) exclude the impact of reserve releases on commuted reinsurance contracts and ii) exclude claims handling costs that are reported within claims costs in the income statement. International insurance loss ratio: As for the UK Motor loss ratio, the international insurance loss ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to exclude the claims element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer claims costs would distort the underlying performance of the business. Group loss ratios: Group loss ratios are reported on a consistent basis as the UK and international ratios noted above. Adjustments are made to i) exclude the impact of reserve releases on commuted reinsurance contracts, ii) exclude claims handling costs that are reported within claims costs in the income statement and iii) exclude the claims element of the impact of international reinsurer caps.
Expense Ratio	Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums. There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 14c to the accounts and explanation is as follows. UK reported motor expense ratio: Within the UK insurance segment the Group separately presents motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) include claims handling costs that are reported within claims costs in the income statement and ii) include intra-group aggregator fees charged by the UK comparison business to the UK insurance business. International insurance expense ratio: As for the UK Motor loss ratio, the international insurance expense ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) exclude the expense element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer expenses would distort the underlying performance of the business and ii) include intra-group aggregator fees charged by the overseas comparison businesses to the international insurance businesses. Group expense ratios: Group expense ratios are reported on a consistent basis as the UK and international ratios noted above. Adjustments are made to i) include claims handling costs that are reported within claims costs in the income statement, ii) include intra-group aggregator fees charged by the Group's comparison businesses to the Group's insurance businesses and iii) exclude the expense element of the impact of international reinsurer caps.
Combined Ratio	Reported combined ratios are the sum of the loss and expense ratios as defined above. Explanation of these figures is noted above and reconciliation of the calculations are provided in notes 14b and 14c.
Return on Equity	Return on equity is calculated as profit after tax for the period attributable to equity holders of the Group divided by the average total equity attributable to equity holders of the Group in the year. This average is determined by dividing the opening and closing positions for the year by two. The relevant figures for this calculation can be found within the consolidated statement of changes in equity.
Group Customers	Group customer numbers reflect the total number of cars, households and vans on cover at the end of the year, across the Group. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the size of the Group's customer base and analysis of this measure over time provides a clear indication of the growth. It is also a useful indicator of the growing

	significance to the Group of the different lines of business and geographic regions.
Effective Tax Rate	Effective tax rate is defined as the approximate tax rate derived from dividing the Group's profit before tax by the tax charge going through the income statement. It is a measure historically presented by the Group and enables users to see how the tax cost incurred by the Group compares over time and to current corporation tax rates.

Additional Terminology

There are many other terms used in this report that are specific to the Group or the markets in which it operates. These are defined as follows:

Accident year	The year in which an accident occurs, also referred to as the earned basis.
Actuarial best estimate	The probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement.
ASHE	'Annual Survey of Hours and Earnings' – a statistical index that is typically used for calculation inflation of annual payment amounts under Periodic Payment Order (PPO) claims settlements.
Claims reserves	A monetary amount set aside for the future payment of incurred claims that have not yet been settled, thus representing a balance sheet liability.
Co-insurance	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co-insurer is directly liable to the policyholder for their proportional share.
Commutation	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a particular reinsurance contract. The Group typically commutes UK Car insurance quota share contracts after 24 months from the start of an underwriting year where it makes economic sense to do so. Although an individual underwriting year may be profitable, the margin held in the financial statement claims reserves may mean that an accounting loss on commutation must be recognised at the point of commutation of the reinsurance contracts. This loss on commutation unwinds in future periods as the financial statement loss ratios develop to ultimate.
Insurance market cycle	The tendency for the insurance market to swing between highs and lows of profitability over time, with the potential to influence premium rates (also known as the "underwriting cycle").
Net claims	The cost of claims incurred in the period, less any claims costs recovered under reinsurance contracts. It includes both claims payments and movements in claims reserves.
Net insurance premium revenue	Also referred to as net earned premium. The element of premium, less reinsurance premium, earned in the period.
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements. The rate is set by the Lord Chancellor.
Periodic Payment Order (PPO)	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
Premium	A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract. Written premium refers to the total amount the policyholder has contracted for, whereas earned premium refers to the recognition of this premium over the life of the contract.
Profit commission	A clause found in some reinsurance and coinsurance agreements that provides for profit sharing.
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
Securitisation	A process by which a group of assets, usually loans, is aggregated into a pool, which is used to back the issuance of new securities. A company transfer assets to a special purpose entity (SPE) which then issues securities backed by the assets.
Special Purpose Entity (SPE)	An entity that is created to accomplish a narrow and well-defined objective. There are specific restrictions or limited around ongoing activities. The Group uses an SPE set up under a securitisation programme.
Ultimate loss ratio	A projected actuarial best estimate loss ratio for a particular accident year or underwriting year.
Underwriting year	The year in which the policy was incepted.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results are calculated on the whole account (including

	co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.